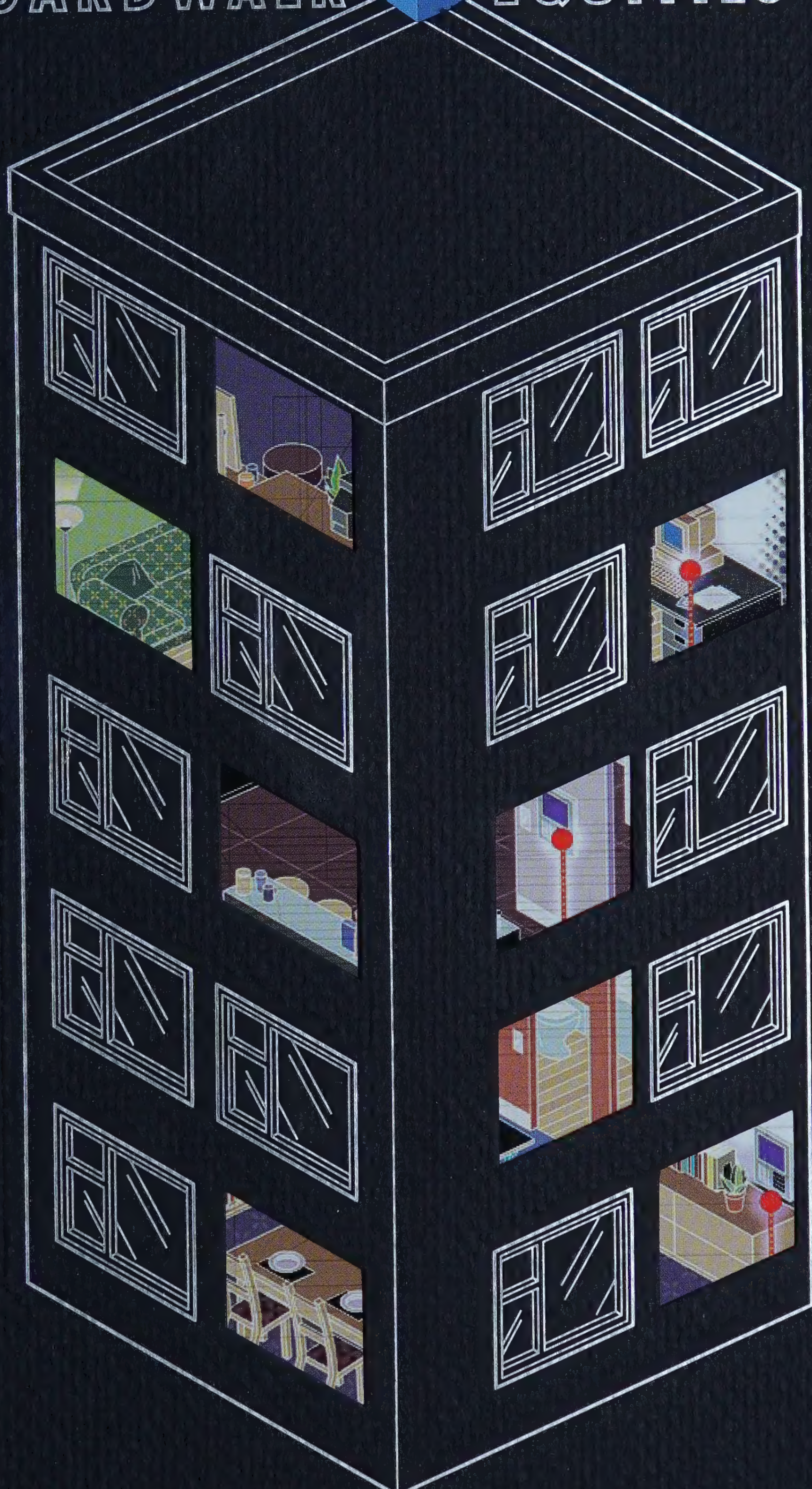
MORE THAN MEETS THE EYE ...

BOARDWALK EQUITIES INC.



BEI : 2000 ANNUAL REPORT

... PROVIDING MORE FOR OUR CUSTOMERS

Contents

We have our feet on the ground:

With our geographically *diversified investments* all performing well, we are keenly aware of the need to complement our operations through *strategic initiatives* which will provide greater value to our customers, a *competitive advantage* in our core business and *opportunities and rewards* for our people.

Boardwalk's Strong Performance Continues Through 2000:

($ Millions except per share amounts)	2000	1999	Change
Total revenues	218.0	186.0	+ 17.2%
Operating earnings before taxes	19.6	27.1*	- 27.7%
Net earnings	10.4	14.5*	- 28.3%
Cash flow from operations	54.9	51.3	+ 7.0%
Per share	1.12	1.11	+ 1.0%
Cash flow from rental operations	58.9	47.3	+ 24.5%
Per Share	1.20	1.03	+ 16.5%
Average occupancy rate	94%	94%	–
Average rent per unit ($)	620	591	+ 5.0%

* *Amounts reported have been restated for a change in accounting policy*

Dear Shareholders:

As a result of the diligent work of our associates, we take great pleasure in reporting our further improved ability to provide *"carefree living"* to our customers, while achieving yet another year of record financial performance for our shareholders. We further grew our rental cash flow through acquisitions and internal investment in our buildings and technology, while maintaining our focus on customer satisfaction. Most importantly, we streamlined operations by providing our associates the ability to obtain real time, complete corporate information, right down to the on-site level. Whether for strategic planning at head office or for customer service on-site, our organization can now use real time information and data to further improve our efficiency. Boardwalk also enhanced the level of *"carefree living"* customers enjoy by adding a grocery delivery service, via our new partner, Shop HomeXpress, and empowering customers to retrieve their own suite information using the Boardwalk Virtual Concierge.

The early fruits of these accomplishments were harvested in the second half of this year, by seeing a downward trend in our general and administration expenses. We continue to be optimistic, and believe the future will provide us with even stronger revenue growth and more savings from our efforts to provide customers with the best value and service within the rental home industry.

We are committed to strategic management of our resources

We believe our financial success is not an end unto itself. Instead, it is a tool that allows us to continue serving our customers and enhancing the definition of *"carefree living"* on an ongoing basis.

The following are some of the key financial and operational accomplishments this year:

- Total revenues of $218 million, up $32 million, or 17% from 1999's $186.0 million.
- Operating earnings before taxes in the amount of $19.6 million, as compared to $27.1 million in 1999.
- Net earnings of $10.4 million, compared to $14.5 million in 1999.
- Cash flow from operations of $55 million ($1.12 per share), up 7% from 1999's $51.3 million ($1.11 per share).
- Cash flow from rental operations of $59 million ($1.20 per share), up 25% from the $47.3 million ($1.03 per share) recorded at May 31, 1999.
- Cash flow from rental operations for the three months ended May 31, 2000 of $14 million ($0.29 per share), up $1 million from the $13 million ($0.28 per share) recorded for the three months ended May 31, 1999.
- Adjusted occupancy rate for July 2000 is in excess of 96%.

We put our ideas into action

These financial results are viewed most favourably, particularly in light of substantial property tax increases resulting from higher assessed property values - further underscoring the increased value of Boardwalk's portfolio. Similarly, the ongoing development and imminent deployment of Boardwalk's leading edge telecom and e-commerce initiatives have been fully funded from traditional real estate revenues. Once these entities are separated from Boardwalk, and more conventional expense ratios are realized, cash flows will improve commensurately.

We are in the right business

We continue to focus on being a good company, rather than a big company. The strict adherence and discipline toward equity yield requirements resulted in moderate portfolio growth over the past year, with Boardwalk owning 25,070 units at year-end, an increase of 12%. With the majority of the property portfolio now renovated, availability of internally generated capital for future acquisitions is excellent. Due to this renovation process, as well as seasonal adjustments, year end occupancy was 93%, and yearly average rent per unit was $620 as compared to 1999's $591. This average is still well below the economic levels required for new construction, further assuring additional upward potential in subsequent quarters.

Our *strategic alliances* serve our *bottom line,* our *customers,* and ultimately our *stakeholders.*

We have the right resources

Our financial position has never been stronger with cash reserves increasing substantially. We have an ample amount of free capital to invest in new acquisitions and building upgrades. We continue to exercise discipline when reviewing potential acquisitions or upgrades, and do not believe that growth, for growth's sake, is a sound long-term strategy. Rather, we prefer to review our investment opportunities objectively, ensuring that funds are deployed in an accretive manner for maximum shareholder benefit. This approach led to Boardwalk being named Profit Magazine's fastest growing and most technologically advanced company in Canada for the year 2000 - an honour which is shared with all our associates.

During the initial part of our evolution, we focused on the vertical integration of Boardwalk. We worked very hard to eliminate the middle layer of the supply chain for our goods and services. Several strong relationships with manufacturers that provide us with these goods and services have assisted in driving costs down and passing these cost savings through to our customers in better value for their rental dollar.

Four significant factors have provided us the opportunity to horizontally integrate and expand our business model going forward. Firstly, the federal de-regulation of telecommunication and broadcast services has opened the door for competition in a formerly monopolistic environment. Secondly, through new advancements in technology, the convergence of data, voice and video over one network is now a reality. Thirdly, the cost of technology for these services has come down to a highly affordable level, with excellent financing terms and an infrastructure that is much more efficient than the existing legacy infrastructure. Finally, the significant scale and concentration of our apartment portfolio provides us with an ideal platform, and is unique in North America. Our newly built telecommunications assets will further leverage the revenue generating capacity of not only our apartment rental homes, but those of others as well.

This is the right time for new customer service capabilities

The upcoming year should be particularly exciting and rewarding for Boardwalk shareholders. With the imminent launch of the wholly owned telecom, Internet and e-commerce subsidiary, Suite Systems Inc., as well as the continued expansion of its fulfillment arm Shop HomeXpress, Boardwalk is poised to demonstrate its acknowledged technological advancements for the benefit of its customers and shareholders. Through these initiatives, along with our traditional real estate business, the Company's future is promising.

Initiatives in new *information technology* and *e-commerce*, arising out of our core business, will meet our *customers' needs* in *noticeable ways*.

In closing, we would like to express our sincere gratitude to all our customers, associates and their families, contractors, shareholders, financiers, and service providers for their unwavering support, which allows us to fulfill our mission to *"efficiently provide the best value in carefree living at competitive prices and utmost customer satisfaction"*. Without you, our success would not be possible.

On Behalf of the Board,

Sam Kolias
President and Chief Executive Officer

George J. Reti
Executive Vice President

September 18, 2000

Solid Foundations:

Our Rental Operations Continue to Provide Strong Revenue Growth

During fiscal 2000, we continued to demonstrate positive revenue growth, with average rents still well below replacement cost economics. Our rents are several hundred dollars per month below the true cost of home ownership, with average house prices climbing steadily. Overall, our rental revenues from operations continued to grow. As a result of significant value creation in our portfolio, property taxes, which are assessed in Alberta on a current market value basis, have risen dramatically as well. It is important to note that assessments take potential rents into effect, and property taxes are charged against historically lower rental revenues. Because we do not have long term leases, we can adjust our rental rates to reflect these increases and continue to provide growth going forward. None of the noted increase in value, which has resulted in a strengthening rental market, is reflected in our financial reports. This unrecorded gain would represent several dollars per share. We have also incurred significantly higher utility costs, more specifically natural gas. Given the bulk of our portfolio is in Alberta, higher energy costs translate into stronger job and economic growth, which is good for our rental business.

Our Eye is On The Ball!

Much of the rapid unit growth we experienced between 1996 and 2000 was a direct result of the relationships we had established for several years prior to even becoming a public company. We are building relationships with existing owners across Canada and the United States, which will eventually yield similar growth spurts in future years. For example, we are currently having serious dialogue on several thousand units, for which the timing of fruition is impossible to predict.

Number of Units
Thousands

Rental Revenue
$ millions

Cash Flow from Rental Operations per Share
Cents

Net Rental Income
$ millions

The year 2000 marked a year of continued investment and improvement in our properties, with an average occupancy of 94%. Most of the vacancy was carried in our new Ontario region due to significant renovations initiated after purchase. Occupancy levels during the summer months, subsequent to year end, improved dramatically. In particular, the bulk of London's vacancy represents units under renovation. Our associates and contractors have made significant strides in renovating these units, and vacancy will continue to decrease, with commensurate revenue increases. The year 2000 also ended with a much higher occupied average monthly rental rate of $685, up substantially from $625 one year earlier. This also represents another new record amount.

We Operate Responsibly With Our Partners And In Our Community

Boardwalk is indeed fortunate to have established relationships with value added partners, whether it's our thousands of customers and shareholders, hundreds of suppliers and contractors, dozens of financial partners or individual government agencies on both a social and financial basis. Many of these relationships span a period of over 15 years and have flourished together with our success. We feel compelled to mention our excellent working relationship with Canada Mortgage and Housing Corporation ("CMHC"), who shares our basic philosophy relative to housing Canadians. Our association with CMHC helps in maximizing our value position through providing cost effective debt capital from recognized lenders across Canada.

Buoyed by our *long standing relationships* with *value added partners*, our core business continues to flourish.

Moreover, CMHC policies help form the framework for many of our social programs, which are constantly expanding to help fulfill our social obligations. Boardwalk's in-house social services department, unique to our industry, is working closely with existing and new residents facing financial hardship. We also work hand in hand with community groups, homeless foundations, provincial and federal agencies as well as municipal housing concerns - all dedicated to providing quality affordable housing for those in need. These actions underscore our belief that social responsibility should go hand in hand with profitability.

We Empower our People

Over the past 12 months, Boardwalk has seen a great change through continued technological advancement. Our people, representing our greatest asset, have become even more empowered through the use of technology in their daily activities. Having successfully rolled out the first true web enabled property management system in North America, Boardwalk can now provide more information and services to our customers with fewer associates and lower overall administration costs. Our scalable and highly reliable systems will ensure our leadership position in the new multi-family housing industry, where efficiency and a true value proposition to the customer are paramount. In simplistic terms, we will continue to do more with less, ensuring our customers and stakeholders receive maximum value in all respects.

Notwithstanding Boardwalk's tremendous strides in technology, we are still keen to maintain a human element to our business. With the proper training and skills, our associates not only implement the technology, but also provide valuable feedback to maximize system applications.

We still develop all our systems and technology in-house and have created a preeminent Information Systems (I.S.) team consisting of programmers, web designers and intranet and internet specialists who are acclaimed by such recognized companies as Nortel to be leaders in the industry. This team has successfully laid the groundwork for our new telecommunications venture, Suite Systems Inc., as well as being instrumental in the roll out of Shop Home Express Inc. Their contribution to Boardwalk's past and future is immeasurable. All of the proprietary Boardwalk innovations outlined in previous annual reports continue to improve and evolve with new technology. We will not rest on our accomplishments, but rather blaze the new trails in a rapidly advancing technological world. In the end, our customers and shareholders will be the ultimate beneficiaries of our efforts.

Providing More For Our Customers:

The Evolution of the Horizontal Provision Advantage

First and foremost, Boardwalk is a real estate company with a solid reputation and stable rental cash flow. For many years, Boardwalk has painstakingly focused on providing unparalleled housing value for our customers. We have achieved our reputation as a responsible owner and manager of well-maintained housing product through our attention to detail, and by listening to feedback from our customers on ways we can improve on making our properties "home" to over 50,000 residents.

Because of our predominately vertical integration and extensive in-house expertise for virtually all aspects of the multi-family housing industry, we have been able to execute on the combined business needs of our shareholders and the wants of our customers in an efficient and harmonious manner – further underscoring the value proposition which is paramount to our corporate mission and culture.

Keying off our ability to efficiently provide value housing, which is an obvious basic human need, we carefully analyzed complementary business opportunities that could be implemented to even further support our value proposition. Through our experience with vertical integration and bulk purchasing for our own corporate needs, we saw a tremendous opportunity to use not only our own purchasing power, but also that of our entire customer base to yield an even higher standard of value.

While mankind's needs and wants often tend to become muddled in modern society, our simplistic approach to business and service provides us with a very clear picture of a true, customer oriented value proposition for the most basic of human needs. Beyond housing, we all must consume staple food and related items, wear some form of clothing, and for the most part, be entertained in one way or another. Recognizing these basic requirements, we explored ways in which these goods or services could be made available to our customers on a highly economical and efficient basis.

During our analysis of potential opportunities, technology, particularly the explosion of the internet, was making great advancements. The virtual world was upon us, and dot com fever was prevalent. However, it became quickly apparent that we had what all the budding dot com companies needed – customers. Moreover, while new entrants to the e-commerce market struggled with the difficult logistics of fulfillment, we recognized that Boardwalk already had a fully functioning, web-enabled distribution system – with over 300 physical points of presence – in place. We also had the benefit of our own fully functioning 24 x 7 customer call centre, experienced on site customer service representatives at each of our locations, and the ability to physically fulfill all our customers' requests by having approved access to any customer's unit who authorized it. Who then, could be better equipped and represent a more logical provider of these basic goods and services, than Boardwalk or an affiliate company?

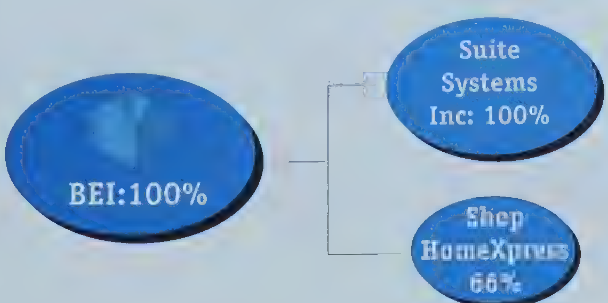
This realization firstly led to the deployment of "thin clients" (no maintenance processors with no moving hard drives and floppy disks) to all our sites to provide real time data and the elimination of several duplicate input processes. We realized substantial savings from this initiative in our core real estate operations, which, in itself, became the financial justification for more layered services.

Our constant pursuit of ways to enhance our customer's carefree lifestyle led to an acquisition of our fulfillment arm, Shop HomeXpress, of which Boardwalk is now the major controlling shareholder. HomeXpress is currently delivering groceries and other staple products to not only Boardwalk residents, but general customers in Calgary and Edmonton, with further expansion plans across Western Canada. A more detailed description of Shop HomeXpress' functions can be found in subsequent sections of this report.

In a similar manner to the realization of the advantage of distributing basic goods to our customers, the opportunity of supplying other basic elements of service such as telephone, television programming and more recently, high speed internet access, also became readily apparent. Layered over our proprietary web-enabled property management backbone, which is regarded as one of the most advanced in North America, our telecommunications initiative will provide enhanced features and better value in telecommunications services to our customers. Unique features like integrating the hook-up of telecommunication services to the leasing process assures the success of this initiative. It also fulfills our mission to provide carefree living, and is truly unique for our industry. The convergence of voice, video and data over a single backbone, in this case fiber optics, the dramatic plunge in the cost of this technology, our concentration of rental units in our respective market places, along with the open doors resulting from federal deregulation combine to present a sizeable business and service opportunity. Boardwalk has answered this call through the formation of its wholly owned telecom and e-commerce subsidiary, Suite Systems Inc. Offering a new value proposition for the customer, on a fully digital format with a much broader spectrum of services, rapid and thorough market penetration is anticipated. A full description of the Suite Systems service offering can be found later within this report.

To summarize, a house without services is a warehouse. A house with services is a home. Coupled with the strong supply and demand fundamentals of our real estate sector, the value created for a customer with enhanced services can be best illustrated by looking at the difference between daily room rates in a full service hotel, or a seniors' assisted living home as compared to traditional rental home properties. Boardwalk, through its subsidiaries Shop HomeXpress and Suite Systems Inc., is at the leading edge of this service revolution, which should have significant benefits to both customers and shareholders in the years to come.

Firstly A Real Estate Company — Significant Other Ownership

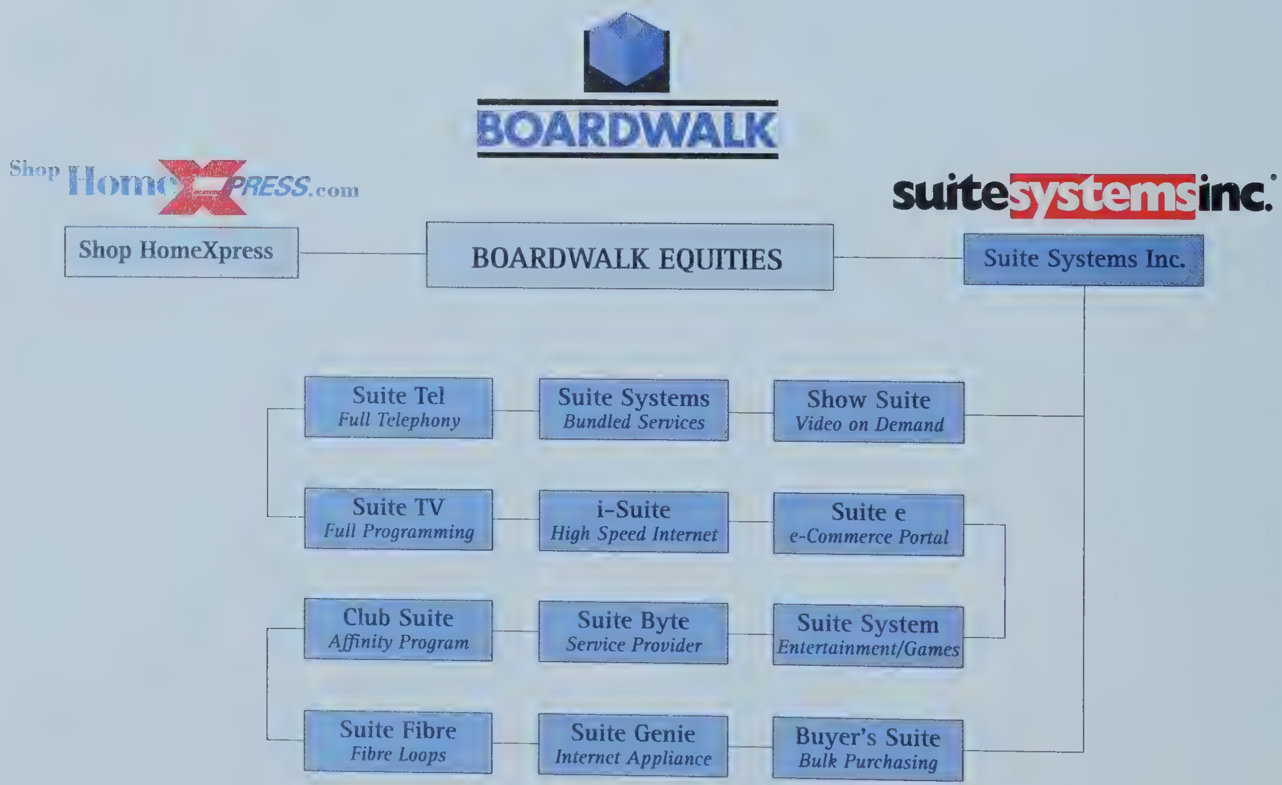


More Than Meets the Eye:

The Ultimate Service — Suite Systems Inc. *(www.suitesystems.com)*

What it is ...

Suite Systems Inc., a 100% wholly owned subsidiary of Boardwalk Equities Inc., is a powerful communication and e-commerce platform that provides landlords, tenants and condominium owners/managers with high speed access to today's rapidly developing information highway. Unlike most telecommunications offerings available today, where many of the individual components involve reselling existing services, Suite Systems is a new, state-of-the-art, from the ground up overbuild offering a full bundle of telecommunications and internet services. Layered on the basic property management platform are local and long distance telephony, video on demand, full television programming, high speed internet access, and an E-tail portal that has full customization capabilities for individual property brands, all of which can be accessed over an in-suite internet appliance known as a "Suite Genie". The full offering spectrum is tied to an affinity or loyalty program, wherein the tenant or condominium owner earns points which are ultimately credited towards either their monthly rent or monthly condominium fees.



How it works ...

The architecture to be employed with Suite Systems Inc. is proven, representing a combination of local and wide area networks interconnected by fibre optics and twisted copper wiring. More recent applications also involve state-of-the-art laser and radio frequency technology. In addition to servicing multi-family rental and condominium properties in higher density nodes, the opportunity also exists to expand distribution to between a three and five kilometer radius around served buildings, thereby encompassing a significantly greater customer base than pure multi-family properties.

What it offers ...

Suite Systems Inc. provides the most comprehensive bundled service offering for multi-family applications yet to be introduced in the North American marketplace. The company has a number of distinct existing and potential components, all operating on the same infrastructure backbone. The ability for Suite Systems Inc. to enhance customer loyalty and overall profitability in the day to day operation of multi-family accommodation is extensive.

Since its inception in 1984, Boardwalk has been on the leading edge of the development and application of computer systems and telecommunications technology to serve the rental housing industry. These achievements have been recognized by companies such as Microsoft, Nortel, Cisco and Alcatel.

Electronic media **offer one-to-one, targeted direct forms of communication which are** *attractive to our customers* **and** *economically viable* **for our business.**

In relationship to its size, Boardwalk has assembled an unusually large technology team to create and operate a variety of proprietary internal systems. Until recently, this technology has been used to analyze acquisition targets in selected markets and to manage acquired properties. These systems have now been expanded to include the necessary framework to allow Suite Systems Inc. to become an efficiently functioning entity.

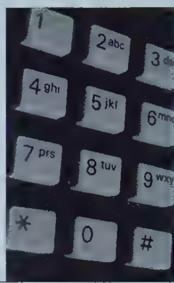
Built upon a web enabled property management backbone, one of the key elements of the system is the thin client application on a wide area network basis, which facilitates rapid expansion and scaleable rollout. These thin client processors, which basically replace a traditional CPU, feature instant on/off functions, have no moving parts and cannot be tampered with at the site level. This keeps maintenance costs to a minimum, and all day to day property management functions can be completed on a real time basis, with any material updates controlled in the central office server.

Examples of property management functions include real time bank deposits which can be drilled down to the bank level, up to the minute maintenance logs and completed jobs checks, instantaneous resident application and credit check approvals, as well as immediate access to all company policy and procedure manuals on a fully updated basis. For acquisition functions, a property purchase and follow-up check list are available, which immediately generates the necessary information and material to procure the best available terms for mortgage financing. Virtually every function that is traditionally completed in the head office can now be facilitated efficiently at the site level. It is through the development of this web enabled, proprietary property management system that the ground work for Suite Systems Inc. was laid. The cost savings resulting from this system have already justified its initial installation in the Boardwalk portfolio.

is the Ultimate Differentiator

The Suite Systems bundled offering will be extensive, with the following representing some of the various components which will become available. Customers will have the choice of selecting any number of individual services.

Suite Tel – full telephony offering

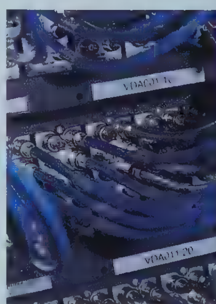


With competing local exchange carrier (CLEC) status pending, Suite Systems will be offering a complete telephone service with class 5 functionality, including features such as caller ID, call forwarding, call waiting, messaging, and so forth. An added feature will be full self-provisioning, where the customer directly inputs the desired features. As virtually all residents require at least basic telephone services, and recognizing that the property owner has excellent upstream marketing opportunities, it is anticipated that Suite Systems will experience strong market penetration in this area.

Suite TV – full television programming

With its CRTC broadcast distribution undertaking (BDU) currently pending, Suite Systems intends to offer a high quality, fully digital programming selection of over 120 video and audio channels. Customers can choose the level of programming right from their suite through self-provisioning, with the added feature of instant and random access to current and up to one week of stored TV programming. Digital quality can be received on conventional analogue televisions, through the use of a set top box. The result is instant access, instant billing and no more delays.

Show Suite – full video on demand service

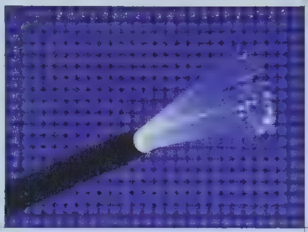


Representing a true video on demand (VOD) offering, Suite Systems will offer a full line of quality movies for customers at their fingertips. No more waiting in line at the video store, and no more late charges. Quality movies at an affordable price – just when a customer wants them.

Suite Genie – always on, in suite internet appliance

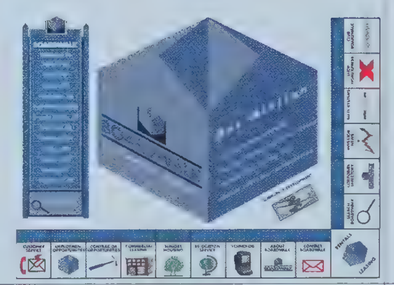
The proprietary suite genie is a fully functional internet appliance, giving customers access to a rich offering of local and global content. It also acts as a sophisticated telecommunications interface, and can control everything from ordering groceries and pizza, to customizing telephone and TV functions. This easy to use touch screen computer can also double as a television set, and will eventually be available on a fully portable, wireless basis.

i-Suite – high speed internet access



Representing Suite Systems' high speed internet connection, i-suite allows for simultaneous high quality reception of videos, web and television, with home runs to each suite. Going beyond the branching tree technology of current legacy infrastructures, i-suite will bring the internet to customers at lightning speeds of 100 megabits per second. Customers can choose to use either the suite genie or connect directly using their own PC.

Suite e – customized e-commerce portal



Customers will be offered a rich, e-commerce portal offering both basic and sophisticated goods and services. The portal can be fully customized for local, regional or national content, with agreements in place with such national suppliers as Royal Lepage, Canada Life and H & R Block. All goods and services will be competitively priced through bulk purchasing opportunities, with the maximum value afforded to the customer.

Club Suite – affinity program

Part of the Suite Systems offering involves the affiliation with the property owners' lifestyle program, where customers earn valuable lifestyle points for utilizing various goods and services. Points earned are then credited towards either the customer's monthly rent or condominium fee. The Club Suite membership card will also employ smart card technology, allowing the customer full access to various banking functions through the Boardwalk virtual concierge, or for basic functions such as accessing their suite, doing laundry, ordering a movie or paying rent.

No business is safe from competitive incursion – we keep our *ear to the ground.*

And in the future, Suite Systems Inc. will provide even more services including:

Suite Byte – full application service provider

With Suite Byte as the customers' application service provider, the need for their own computer system is eliminated. Representing the latest in software, with no more upgrading requirements, all offerings can be provided on an "a la carte" basis – meaning the customer pays only for what they need. More memory, more applications and more features will be available – all for only pennies a day, and no up front capital outlay. Suite byte will offer state of the art computer systems for everyone.

Suite System – full array of games and entertainment

Imagine a system that can bring any video game from any manufacturer right into the suite. All current manufacturer's products will be available over the Suite Systems Inc. (SSI) network. It will afford the most variety on the most economic terms played on either the television or the suite genie – a babysitter's dream come true.

Buyer's Suite – goods and services procurement platform

With Buyer's Suite, true bulk purchasing has arrived in the multi-family industry, eliminating the need for the "middle man". In many instances, members are able to source a host of goods and services at true wholesale pricing. Whether ordering from 100 or 10,000 units, pricing will be more competitive and the quality and standard of service greater. Coupled with tight inventory control and "just in time" purchasing, Buyer's Suite can virtually eliminate paper purchase orders, invoicing and payments by electronically handling all suppliers and their products. For smaller scale suppliers, thin client hosting services will also be available.

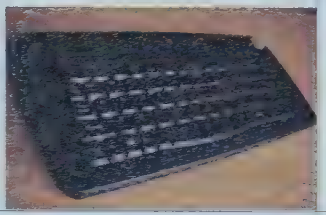
Suite Systems Inc. has a number of distinct existing and potential components, all operating on the same infrastructure backbone. With strong revenue generating potential, Suite Systems Inc. provides the most comprehensive bundled service offering for multi-family applications yet to be introduced in the North American marketplace.

The most *comprehensive, multi-family bundled service* ever offered creates huge potential in the North American marketplace.

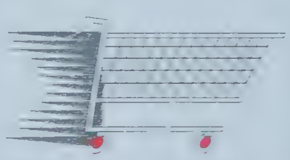
Saving Money While Saving Time:

Shop HomeXpress *(www.shophomexpress.com)*

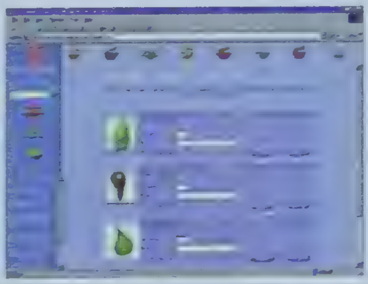
HomeXpress represents the e-commerce and fulfillment arm of the "value and carefree living" for Boardwalk customers and other residential consumers. The key differentiator of **HomeXpress** is the ability to allow the consumer to manage time, while communicating to meet their personal needs and high standards. In today's fast-paced world, many businesses are looking at consumers as two potentially distinct ends of a large spectrum – consumers that are looking for a positive sensory experience versus those who are time starved and therefore demand convenience. **HomeXpress** views these needs in all its customers, and provides a value proposition in quality, service and price to meet customers' specific needs, each and every day.



HomeXpress operates a professionally designed and user friendly web site featuring extensive product selection. Customers are able to order products on-line, or alternatively, by way of facsimile or telephone. Goods are delivered directly to customers' homes via specially equipped, climate controlled delivery trucks. Purchases are paid for upon delivery by cash, cheque or wireless credit card/debit card authorizers at the customers' door. The Company strives to ease the inconvenience of the traditional grocery shopping experience, by allowing customers to shop from their homes, offices or any other location with internet access 24 hours a day, seven days a week, and obtain convenient home delivery of the products they have selected. In the event the customer chooses not to be at home for the delivery, on site personnel in Boardwalk apartments can accompany the **HomeXpress** delivery person directly into the customer's unit, storing perishables right in the in-suite refrigerator. Deliveries are available seven days a week.



Utilizing current browser technology on its proprietary web site, **HomeXpress** allows the customer to look at prices and various products offered, as well as special offers which are updated regularly. First time customers use a simple registration procedure, and upon all subsequent visits to the web site, the customer logs on and enters a password to commence shopping. The customer then navigates through virtual shopping aisles according to product category, which are then linked to sub-categories or products which are displayed on the screen for customer selection. Other features currently in the process of



development include detailed information regarding ingredients or nutritional value of items displayed, as well as links to recipes forwarded by other customers or product manufacturers. **HomeXpresss** also maintains a price comparison feature, which allows customers to compare the price charged on various products to those charged by traditional grocery retailers. The customer also has the option of creating a list of their preferred products, referred to as "Xpress List" which can be accessed during the next shopping experience for maximum convenience.

The **HomeXpress** strategy totally surrounds the customer. The Company is the enabler which allows Boardwalk to meet its objective of efficiently providing the best value in carefree living. **HomeXpress** recognizes that consumers do not actually buy products or services, but rather a bundle of benefits – that they uniquely define as quality and value. Although the core function of **HomeXpress** is to allow web-enabled customers to buy quality goods and services and have those products delivered to their door, the Company recognizes that the aesthetic attributes of the product are actually a matter of personal taste, and the e-commerce platform allows for customization of household needs, wants, inventories and product flow with a trusted vendor.

Growing beyond simply groceries, **HomeXpress** has the capability to deliver auxiliary services which, while not essential, will add to the value proposition that consumers use to determine their own retail buying bundles. **HomeXpress** makes it easier for consumers to find, purchase and use products and services. The connection with Boardwalk gives consumers the brand confidence they need to help in the transition from their existing shopping preferences. Although in its infancy, operations at HomeXpress are expected to increase dramatically in forthcoming years.

The Boardwalk affinity program works hand in hand to personalize the service and product bundles and reward customers with real, meaningful savings. **HomeXpress** is a full shopping experience with both e-commerce and conventional store capabilities. The Company has combined the two business models in a way that will give consumers good value and access to all the major brands they are accustomed to, and typically included in their regular shopping environment.

HomeXpress *e-commerce and fulfillment* **offers a solution in** *value, service and price* **to the time conscious in a fast paced world.**

Management's Discussion and Analysis:

THE MANAGEMENT'S DISCUSSION AND ANALYSIS FOCUSES ON KEY STATISTICS FROM THE CONSOLIDATED FINANCIAL STATEMENTS AND PERTAINS TO KNOWN RISKS AND UNCERTAINTIES RELATING TO THE REAL ESTATE INDUSTRY. THIS DISCUSSION SHOULD NOT BE CONSIDERED ALL-INCLUSIVE, AS IT EXCLUDES CHANGES THAT MAY OCCUR IN GENERAL ECONOMIC, POLITICAL AND ENVIRONMENTAL CONDITIONS. ADDITIONALLY, OTHER ELEMENTS MAY OR MAY NOT OCCUR WHICH COULD AFFECT THE CORPORATION IN THE FUTURE. HOWEVER, TO OBTAIN THE BEST OVERALL PERSPECTIVE, THIS DISCUSSION SHOULD BE READ IN CONJUNCTION WITH MATERIAL CONTAINED IN OTHER PARTS OF THIS ANNUAL REPORT AND WITH THE CORPORATION'S AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2000 AND 1999, TOGETHER WITH RELATED NOTES. FOR OUR UNITED STATES READERS, WE ARE PROVIDING, FOR THE FIRST TIME, A NOTE SHOWING THE EFFECTS ON THE FINANCIAL STATEMENTS ARISING FROM DIFFERENCES IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BETWEEN CANADA AND THE UNITED STATES. THESE ARE DESCRIBED IN NOTE 10 TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Overview

Boardwalk Equities Inc. (hereinafter referred to as "Boardwalk") is a fully integrated, customer oriented multi-family residential real estate owner and manager. The Company is Canada's largest publicly traded multi-family residential corporation and specializes in the acquisition, operation, value enhancement and selling of multi-family residential properties within Canada. The majority of Boardwalk's portfolio is located in western Canada; however, in fiscal 2000 Boardwalk has also experienced significant expansion into the Ontario market. The head office is situated in the City of Calgary, although the company is progressively expanding across Canada. At year end, May 31, 2000, Boardwalk recorded assets of approximately $1.4 billion, and owns 100% interest in well over 200 properties comprising approximately 21 million net rentable square feet.

We Are Constantly Improving Our Processes

Boardwalk's mission statement, "to efficiently provide the best value in carefree living at competitive prices and utmost customer satisfaction" best defines its operational strategy. The Company believes that by following this strategy, it will continue to focus on enhancing value by generating substantial growth in its overall operating cash flows, while creating realizable appreciation in real estate values. In order to achieve this goal, it is necessary to apply fully integrated core strategies of focused investing, superior property management, implementation and efficient use of technologies and the strategic asset management to the following:

- opportunities to acquire accretive existing multi-family residential properties throughout Canada;
- review, and where required, upgrade existing services and facilities to enhance increased property value to the customers' satisfaction;

- maximization of cash flow from existing properties;
- striving to stabilize new projects that increase their cash flows commensurately;
- continuous culling of the Corporation's portfolio in search of mature properties in attractive markets, maintaining focused sale discipline and reinvesting all the released equity back into the portfolio to assist in additional value added opportunities.

With the implementation of these multi-dimensional strategies, Boardwalk will continue to enhance overall growth in the short, medium and long term. In order to support the Corporation's overall operating strategy, it is necessary to consider the following:

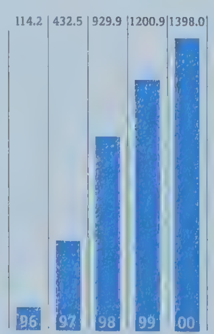
- ensuring ample capital is available at all times for acquisitions and value added enhancements;
- utilizing suitable levels of leverage and where appropriate, optimizing the use of NHA insurance through CMHC to enhance both leverage and access to lower financing rates;
- the continuous allocation of capital between existing project enhancements and continued new accretive acquisitions;
- continuing to actively manage the Corporation's exposure to interest rate risk.

In the following discussion, we will attempt to provide the reader with an understanding of how these strategies affect the operating results and shareholder value of the Corporation. We will also review the related risks, opportunities and trends, as well as possible impacts of these strategies on Boardwalk's future performance.

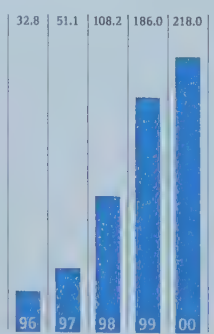
ng Up The Value Chain — Results Of Our Operations

Fiscal 2000 was a strong year for Boardwalk. The Corporation continued to report solid financial results which bolstered the success of its growth strategy. Cash flow from operations for the year ended May 31, 2000 was 7% higher than the amount recorded in the 1999 fiscal year. The following review will focus on year over year changes in the key component of cash flow from operations, and then on other components of net income.

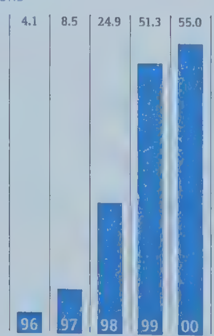
Total Assets
$ millions



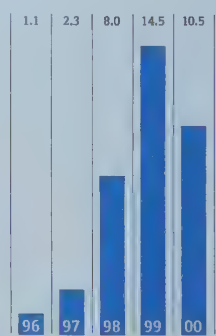
Revenue
$ millions



Cash Flow from Operations
$ millions



Net Earnings
$ millions



Analysis of Cash Flow From Operations

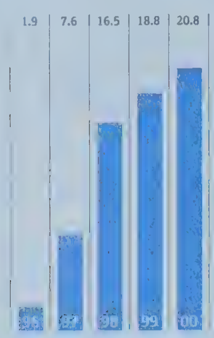
Boardwalk prepares its financial statements in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies ("CIPREC") and the Canadian Institute of Chartered Accountants. CIPREC has adopted a measurement of cash flow from operations ("CFO") to supplement net income as a measure of operating performance. This is considered to be a meaningful and useful measure of real estate operating performance. Boardwalk's presentation of cash flow from operations prior to changes in non-cash working capital is consistent with the definition provided by CIPREC. This measure is not necessarily indicative of cash that is available to fund cash needs and should not be considered as an alternative to cash flow as a measure of liquidity. In the United States, the National Association of Real Estate Investment Trusts ("NAREIT") has adopted a similar measurement known as Funds From Operations ("FFO") to supplement net income as a measure of operating performance. FFO and CFO do not represent cash flow from operations as defined by Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Corporation's and CIPREC's presentation of cash flow from operations does not reflect cash flows from operations as defined by the CICA handbook, and this measure is not necessarily indicative of cash available to fund cash needs of the Corporation and should not be considered as an alternative to cash flow as a measure of liquidity.

Boardwalk's net operating cash flow was approximately $55 million as compared to the 1999 annual amount of $51 million. Boardwalk's cash flow is generated from two separate revenue streams. Firstly, the Corporation's rental operations consisting of long term ownership, operation of multi-family residential housing and secondly, the sale of properties held for development and resale which represent the properties which Boardwalk has selected for eventual sale. The property held for development and resale category focuses more on the culling of Boardwalk's portfolio. Mature multi-family properties represent those that typically have a highest and best use beyond that of pure rental projects, or which are in markets that have seen significant appreciation. Boardwalk's view is that by divesting itself of these properties at the appropriate time in the real estate cycle, it can redeploy the excess realized equity into new, faster growing markets or properties which require more intensive management and have greater upside.

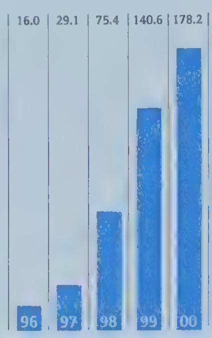
Rental Operations

Boardwalk's most stable form of cash flow is generated through the rental of high rise, garden and townhouse type residential units. During fiscal 2000, Boardwalk's rental operations generated a net operating income, defined as total rental revenue less specific operating expenses and related property taxes, of $117 million. This represents an increase of 25% from the $93.7 million recorded in 1999. Part of Boardwalk's strategy is to use leverage in the funding of these properties. Net rental income is a key financial ratio in assessing Boardwalk. Net rental income is defined as net operating income less directly related financing charges. During fiscal 2000, Boardwalk realized net rental income of approximately $59 million as compared to $47 million in the 1999 fiscal year, representing a 26% increase. In generating this income, Boardwalk accumulated rental revenue totaling $178 million as compared to $141 million for the 1999 fiscal year. This represents a 27% increase year over year. Increases in rental revenues are attributed to Boardwalk's continued focus on its operational strategy, as well as ongoing stabilization of newly acquired properties.

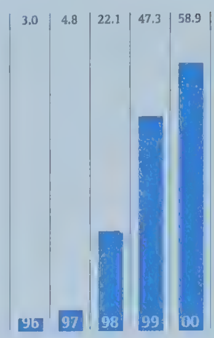
Net Rentable Square Feet
Millions



Rental Revenue
$ millions



Net Rental Income
$ millions



Cash Flow from Rental Operations per Share
Cents

During fiscal 2000, Boardwalk derived a full 77% of net operating income from its Alberta Operations; this compares to 84% in fiscal 1999, and underscores the diversification and reduction in overall reliance on existing markets. A similar type of diversification was recorded in Boardwalk's net rental income for fiscal 2000 with 80% of this income being attributed to Alberta as compared to 84% in fiscal 1999. The balance of Boardwalk's portfolio is located in Ontario and Saskatchewan representing 7% and 13% respectively of the overall net operating income. This compares to 16% in Saskatchewan and 0% in Ontario during fiscal 1999. Net rental income in Saskatchewan was consistent with that recorded in fiscal 1999 at 17%, while Ontario represented 5% of the total. Again, the reason for this increase is related to the timing of the expansion into Ontario, which did not occur until fiscal 2000.

Derivation of Net Rental Income

1999 Rental Operations

2000 Rental Operations

The following is intended to provide the reader with a more detailed review of Boardwalk's rental operations by province.

Alberta

Alberta is an integral part of Boardwalk's operations as a whole, with the Company's largest holdings in Calgary and Edmonton, Alberta's two major cities. Revenues generated from Boardwalk's Edmonton portfolio totaled $72.6 million. This represents a 13% increase from the $64.2 million recorded in the 1999 fiscal year. A similar trend of revenue was observed in Calgary where total revenues of $48.1 million were up over 7% from the $44.8 million recorded in fiscal 1999. Although the percentage increase in Calgary was slightly lower than that recorded in Edmonton, it should be noted that during the year, Boardwalk sold a total of 385 units

representing approximately 7% of Boardwalk's Calgary rental assets. The increase in these comparative years for both Calgary and Edmonton resulted from Boardwalk's ability to generate internal growth through positive rental adjustments on existing, as well as turn over units. Average rents in Calgary and Edmonton of $769 and $579 respectively are still well below those required to justify any significant new construction. Operating expenses in both Calgary and Edmonton of $13.7 million (1999 –$11.3 million) and $25.2 million – (1999 – $20.5 million), increased mainly as a result of higher property taxes and utility charges. The increase in property taxes was the result of a government change in assessment policy, from the existing property valuation to a true market value based program. A more detailed analysis of these operating expenditures is discussed later under Stabilized Building Analysis. Additional increases in year over year operating costs in Alberta are also associated with continued expansion in existing markets such as Red Deer and Fort Mc Murray. Net rental income generated in Alberta totaled $46 million, up 17% from the $39.5 million recorded in 1999. Other than as noted, Boardwalk's increased leverage on these properties resulted in increased financing charges.

Saskatchewan

Boardwalk's Saskatchewan properties continue to play a significant role in the Company's operations, representing approximately 17% of Boardwalk's overall portfolio. Regina assets had recorded revenue of $17 million – a 13% increase from the $15 million recorded for fiscal 1999. Revenues in Saskatoon totaled $11.6 million as compared to $9.4 million recorded in fiscal 1999. This increase, of approximately 23%, along with the increase recorded in Regina, are the direct result of Boardwalk's internal and external growth capability. Operating expenses in both Regina and Saskatoon of $6 million and $4.2 million increased slightly from the prior period, mainly the result of increased utility charges. Net rental income for Saskatchewan of $10.1 million has increased over 29% from the $7.8 million posted in 1999 . The main reason for this increase was strong top line revenue growth and relatively stable expenses.

Ontario

Fiscal 2000 marked Boardwalk's first full year of operations in Ontario. Although Boardwalk's main source of unit growth during the year was in Ontario, due to the timing of these acquisitions, they were not given the opportunity to contribute significantly to overall operations. Revenues generated of $17.2 million as compared to nil for fiscal 1999 are the direct result of this growth. Operating expenses totaled $8.5 million for 2000 and nil for fiscal 1999. Boardwalk is continuing to explore ways of generating additional revenues through value added improvements, while striving to decrease overall operating costs. As the Ontario units become stabilized, their overall contribution to the Company's performance is expected to increase accordingly.

Stabilized Portfolio

Boardwalk continues to benefit from the effects of its property revitalization process. Stabilized buildings in the portfolio are defined as properties that have been owned for a period of not less than 24 consecutive months. It is important to note that the definition of a stabilized building is one of a term of service, as Boardwalk provides on-going value added services to these properties, albeit not at the same intensity as during the first 24 months of ownership.

Stabilized Building Analysis ($000's)
(Unaudited)

		Calgary	Edmonton	Other	Regina	Saskatoon	Total	Change
Rental revenue	2000	42,006	62,585	5,270	14,553	8,601	133,015	
	1999	36,840	57,591	4,940	13,382	7,323	120,076	11%
Repairs and maintenance	2000	2,139	2,798	232	734	363	6,266	
	1999	1,602	2,830	292	862	451	6,037	4%
Utilities	2000	3,667	8,035	539	1,412	658	14,311	
	1999	3,135	6,876	468	1,350	624	12,453	15%
Property taxes	2000	3,166	6,015	606	1,737	1,428	12,952	
	1999	2,482	4,697	448	1,643	1,114	10,384	25%
Advertising	2000	553	501	37	74	66	1,231	
	1999	235	457	22	75	52	841	46%
Other	2000	2,442	4,174	314	925	523	8,378	
	1999	2,396	4,277	288	921	508	8,390	0%
Operating expenses	2000	11,967	21,523	1,728	4,882	3,038	43,138	
	1999	9,850	19,137	1,518	4,851	2,749	38,105	13%
Total operating income	2000	30,039	41,062	3,542	9,671	5,563	89,877	
	1999	26,990	38,454	3,422	8,531	4,574	81,971	10%
Financing costs	2000	14,107	21,033	1,666	4,069	2,701	43,576	
	1999	12,385	20,051	1,197	3,443	2,270	39,346	11%
Net rental income	2000	15,932	20,029	1,876	5,602	2,862	46,301	
	1999	14,605	18,403	2,225	5,088	2,304	42,625	9%
Number of units		4,728	9,124	699	2,257	1,203	18,011	

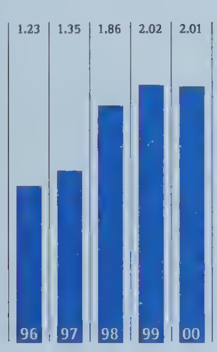
	Calgary	Edmonton	Other	Regina	Saskatoon	Total
Asset purchase price	252,480	399,909	30,043	61,009	49,721	793,162
Additions	54,651	89,228	8,648	27,155	9,317	188,999
Total cost	307,131	489,137	38,691	88,164	59,038	982,161
Mortgage	239,431	361,949	29,826	72,405	44,602	748,213
Net equity	67,700	127,188	8,865	15,759	14,436	233,948
Return on equity	24%	16%	21%	36%	20%	20%

At May 31, 2000, 18,011 units, or approximately 72% of Boardwalk's' total rental portfolio, were considered stabilized. This is up significantly from the 34% for stabilized units at May 31, 1999. Boardwalk's stabilized portfolio continued to show strong improvement, even though operating costs increased dramatically from prior years – a direct result of increased utility costs and property taxes. Overall, rental revenue was up 11% to $133 million as compared to $120 million for the same period in fiscal 1999. Operating costs of $43.1 million were 10% higher than the $38 million recorded in the same period in 1999. As noted, these costs are directly related to the two categories of property taxes and utilities.

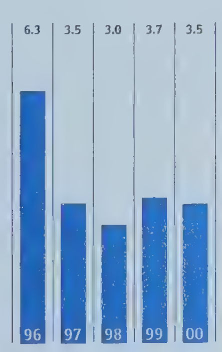
The increase in utilities represents sharp rises in both natural gas and electrical prices over the fiscal 2000 year, whereas the increase in property taxes is primarily the result of the demonstrated value creation in Boardwalk's Calgary and Edmonton portfolios. With the change in government taxation policy to a pure market value basis, these higher stabilized property values trigger increased property assessments. It is logical that the greatest impact of tax increases would be felt on the Company's stabilized portfolio, as these properties represent the more mature element of the portfolio and have had the largest exposure to Boardwalk's value creation program.

Financing costs of $43.6 million for fiscal 2000 as compared to $39.3 million for 1999 are up approximately 11%. These charges are directly related to the increased leverage placed on these buildings to finance their refurbishment and stabilization. While some mortgage amounts increased moderately, overall debt service coverage ratios were higher for the 2000 fiscal year versus 1999. Notwithstanding Boardwalk experiencing significant operational and financing increases on a year over year basis, net rental income for fiscal 2000 of $46.3 million was still up approximately 9% from the $42.6 million recorded in the same period in 1999.

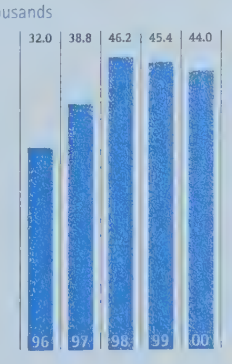
Interest Coverage
Ratio



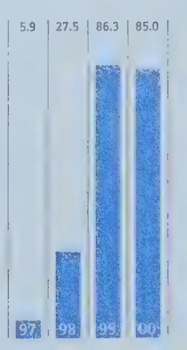
Debt to Equity
Ratio



Average Acquisition Cost per Unit
$ thousands



Capital Upgrades
$ million



We have significantly *improved our balance sheet* **while at the same time, substantially** *upgrading our portfolio.*

Property Held For Development and Resale

A major source of Boardwalk's overall operating income is generated from the sales of units that are classified as properties held for development and resale. For the most part, the units in this category are classified as mature properties, which implies limited capital appreciation remaining on a rental basis for these locations, in comparison to other more accretive investment opportunities. Once a property has reached this stage, it is sold as a single bulk sale transaction. The proceeds are then reinvested in the Corporation and used to either acquire other accretive multi-family properties, or to assist in value added capital improvements.

Sales recorded during fiscal 2000 were $39.8 million, a decrease of 12% from the $45.4 million recorded in fiscal 1999. This decrease is directly related to the lower number of units sold during fiscal 2000 versus 1999. During fiscal 2000, a total of 689 units were sold, as compared to 849 for the same period in 1999. Even though Boardwalk did record lower overall sales and net margins in this category, a more detailed analysis on a per unit basis notes that the average sales price for fiscal 2000 was approximately $57,000, compared to the 1999 sales value of $53,000, or an 8% increase year over year. The net margin of $15.8 million for fiscal 2000, as compared to $16.9 million for fiscal 1999, also represents a 6% decrease on a year over year basis. However, further analysis on a per unit basis shows that the average margin for fiscal 2000 was $23,000 as compared to $20,000 in fiscal 1999, representing a 15% increase on a year over year basis. The sales of property held for development and resale continue to play an important role in Boardwalk's overall operating strategy. This being said, however, as Boardwalk continues to grow its rental operations, revenue generated from this category will continue to play a lesser and lesser role in overall cash operations. For fiscal 2000, 18% of all revenue generated came from this category as compared to 24% for the 1999 fiscal year. A closer look also reveals that of total net operating income generated during fiscal 2000, margins from sales of properties accounted for only 13% as compared to 15% in fiscal 1999.

Corporate Charges

Boardwalk's overall corporate or administrative charges typically include those general costs that are not allocated on a site specific basis. In fiscal 2000, a total of $16.9 million was expensed in this category. This compares to $10.4 million in the 1999 fiscal year. The increase in these amounts is due in part to Boardwalk's growing costs of development and expansion in the Corporation's technological and real estate infrastructure. These expenses include such items as regional distribution centers as well as expansion of Boardwalk's associate base to assist in the acquisition and operation of these facilities. In addition to these increases, Boardwalk also experienced the duplication of administrative services as a direct result of the planned implementation of Boardwalk's web enabled on-site property management structure. This duplication has been phased out over the last two quarters of fiscal 2000, resulting in decreasing administration expenses for these quarters. It is the Company's belief that the resources allocated to its information technological structure will add further value and performance in the future.

Analysis of Net Earnings

Boardwalk's recorded net earnings for fiscal 2000 were $10.4 million. This compares to $14.5 million for the 1999 fiscal year after restatement for the change in accounting for future income taxes. Net earnings are determined by deducting amortization and related taxes from the Corporation's operating earnings. Amortization expense of $38.2 million is up substantially from $26.5 million recorded in 1999, clearly accounting for the lower reported net earnings. This increase is due to Boardwalk's intensifying acquisition and capital improvement strategies. Amortization expenses also include any amortization of prepaid legal and financing costs over a straight-line basis. During the year, the Company revised the rates of amortization applied to certain capital items and increased income before income taxes, as of June 1, 1999. In particular, the change was made to better reflect the actual useful life of the value enhancement expenditures and more closely reflect their estimated remaining economic life. The effect of the rate revision was to reduce amortization and increase net earnings for the year ended May 2000 by $12.7 million. Boardwalk's provision for future income taxes is approximately 32% of operating earnings before income taxes. This is slightly lower than the combined basic Canadian federal and provincial income tax rate which is about 43%, largely due to the capital gains rate applied on the sale of specific pre-identified properties. The decrease from $10.2 million to $6.3 million was mainly due to the increase in amortization recorded in the respective years. Actual cash taxes paid, which are deducted from cash flow from operations, relate to the Corporation's liability with respect to federal large corporation's tax at May 31, 2000. Startup costs for both HomeXpress Limited and Suite Systems Inc., both of which occurred late in the fiscal year, did not have a material impact on earnings.

Balance sheet review

During fiscal 2000, Boardwalk acquired a total of 3,283 units, representing a 15% increase in the Company's overall portfolio from that recorded at May 31, 1999. The total acquisition price for these units was $143.6 million, and was made up of approximately $84.8 million in cash, and $58.8 million in debt financing, for an average purchase price of approximately $44,000 per unit. This compares to the 1999 acquisition of 3,809 units for a total purchase price of $173 million, or $45,400 per unit. During fiscal 2000, a total of 689 units were sold as property held for development and resale.

Boardwalk continues to seek new accretive acquisitions. Although growth has not occurred at the same rate as in past fiscal years, it is believed that steady and strong growth will occur in the future. Of significant note for fiscal 2000 was Boardwalk's expansion into the Ontario market, furthering its overall diversification. At May 31, Boardwalk had a total of 3,717 units in the Ontario market, making the expansion into Ontario a significant portion of Boardwalk's overall portfolio. Boardwalk's acquisition strategy remains focused on acquiring the right assets, for the right price – performing a detailed analysis on each project under consideration.

At May 31, 2000, Boardwalk had $6.4 million recorded in properties held for development and resale. This compares to $29.8 million at the end of fiscal 1999. The decrease was the result of transferring two properties from this category to revenue producing properties, as it was determined that the conversion of these projects to rental properties was in the best interest of the Company.

Capital Expenditures

Boardwalk's ongoing strategy is to enhance, where possible, the quality of products and services available to customers. Boardwalk continuously reviews its portfolio, and implements improvements designed to increase satisfaction for existing customers and enhance property values, increasing value for the properties, while at the same time increasing shareholder value. Improvements generally consist of both internal and external upgrades, modernization of common areas, and new appointments to suites or exteriors. The most recent phase of interior improvements is timed as units turn over, as it has been Boardwalk's experience that when a building is in an unstabilized mode, it experiences a higher level of turnover. Therefore, to stabilize the property, a higher level of capital improvement is required. Exterior improvements may vary from extensive repainting to complete refitting of the exterior, including alterations to the existing building lines. During fiscal 2000, Boardwalk spent approximately $85 million on capital enhancements. This represents approximately $3,400 per unit on the entire portfolio, down from $3,600 in the previous year. Given the increased stabilization process, this downward trend was expected and should continue. Boardwalk will spend capital on its projects with the firm criteria of creating value and longer–term revenue growth. It will also continue to invest in its portfolio in ways designed to increase customer service and satisfaction, and in the long term, to increase operational cash flows.

The extent of deployment of the capital improvement program will vary according to the Corporation's overall growth and the type of units acquired in the future. Included in fiscal 2000 capitalization is an amount of approximately $7.8 million of internally capitalized on site wages. During 1999, $9.7 million was recorded for the same initiative, representing Boardwalk's best estimate as to the amount of capital improvement work that was performed during the year by Boardwalk's existing on site operational staff. Capitalization does not include any administrative or otherwise supervisory salaries. This represents approximately 9% of total capital projects completed during the fiscal year, further demonstrating Boardwalk's increased efficiency of internal operations over external contracting, which would result in much higher costs for the same results.

Boardwalk's objective is to ensure, in advance, that there are ample cash resources to allow the execution of its business plan. Capital resources are defined as the combination of mortgage debt, share capital equity and internally generated equity. Significant liquidity provides greater certainty as to execution, which in turn gives the Corporation a competitive advantage in its negotiation and acquisition or enhancement investments. The conversion of lower yielding mature properties into cash for deployment into higher yielding investments supports this objective.

Technology Initiative

During the last quarter of fiscal 2000, Boardwalk commenced construction of the 'central office' and 'head end' of its telephone and cable infrastructures. This initiative, as at May 31, 2000, had recorded assets of approximately $7.4 million. This amount relates directly to the costs of the corporate head end, as well as incidental hardware and software costs associated with this structure. In addition to these costs, subsequent to year end, Boardwalk entered into commitments totaling an additional $10 million (1999 – nil) with various suppliers for the purchase and installation of certain equipment directly relating to this initiative. A significant

portion of these commitments are in the form of capital leases, with a weighted average interest rate of 10.68% which call for equal monthly payments for five to six years. These assets have not been capitalized as at the balance sheet date, as the risks and rewards of ownership had not yet transferred to the Corporation.

Future Income Taxes

While the Corporation does not have a current federal income tax liability payable, Boardwalk does show a substantial liability in its liability section noted as future income taxes. During fiscal 2000, the Corporation adopted the new CICA Handbook section 3465, Income Taxes. Under this method, the future income tax asset and liability method of accounting for income taxes is used, and future income tax liabilities and future income tax assets are recorded based on temporary differences between the carrying amount in the balance sheet item and the corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to valuation allowances. To the extent that it is more likely than not that such a loss will be ultimately utilized, these standards also require that future income assets and liabilities be measured using enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized. The Corporation has applied this change in the policy retroactively and recorded an increase in its tax liability of over $53 million. The impact on the fiscal 1999 financial statements was decreases in future tax expense and increased net earnings by $140,000. Had the change not occurred in fiscal 2000, future tax expense would have increased and net earnings would have decreased by approximately $1.19 million. A detailed analysis of this change can be found in the Notes to Boardwalk's consolidated financial statements.

Equity

Boardwalk continues to deploy equity raised during the year. In July of 1999, Boardwalk raised approximately $46.3 million in an equity offering. To date, Boardwalk has not had the opportunity to fully deploy this equity on an accretive basis, and as a result, the Company currently enjoys a very strong financial position. With $25 million in an untapped, existing operating facility, an additional $30 million in pre-approved financing and holdbacks scheduled to be released during the next fiscal year and ongoing operational cash flow, the Company is well positioned for the right opportunities. Boardwalk's demonstrated ability to deploy this equity accretively will further enhance shareholder returns. As in the past, Boardwalk believes the best investments for an additional dollar earned are for reinvestment into property acquisitions or further value enhancing programs. As such, Boardwalk has no dividend payout policy.

Share Buyback

In March of 2000, Boardwalk was granted approval by the Toronto Stock Exchange with respect to a notice of intention to make a normal course issuer bid (the "Bid"). This Bid is an extension of a normal course issuer bid commenced by Boardwalk last year which terminated on March 1, 2000. During fiscal 2000 Boardwalk acquired a total of 688,000 shares (1999 – 113,800) for proceeds of $6.9 million (1999 – $1.5 million) or $10.00 per share. The Bid allows Boardwalk to purchase up to 2,236,400 common shares, representing 10% of its public float, through the facilities of The Toronto Stock Exchange. The Bid commenced on March 1, 2000 and will terminate on February 28, 2001 or such earlier time as the Bid is complete. Boardwalk believes that recent market

prices of its common shares do not reflect their underlying value. Management has initiated this program as it feels that, at current market prices, an investment in Boardwalk's own high quality portfolio will deliver strong returns for shareholders and represents an effective use of capital and steadily increasing cash flows. At the same time, Boardwalk plans to continue its property acquisition and capital improvement programs. Boardwalk will purchase the common shares for cancellation with the intention of increasing the proportionate interest of all remaining shareholders. All shares acquired are earmarked for cancellation.

Leverage

Boardwalk continues to use its current leverage policy of optimizing debt levels, yet maintaining acceptable debt service coverage ratios on all its properties. This policy is enhanced through the use of NHA insurance, a program initiated by the Government of Canada through CMHC, which allows individuals and corporations dealing in residential real estate to obtain mortgage default insurance for a premium on a selective property by property basis. The insurance lowers the risk of default to the lender, a benefit which has been passed down to the mortgagor in the form of lower interest rates. Current borrowing costs are approximately 60 – 80 basis points above government of Canada Bond yields. With this additional assurance, the Corporation has the ability to increase leverage to 85% of property value. Management is oriented towards retaining capital for reinvestment purposes and to expand business, as an alternative to substantially reducing mortgage debt. Boardwalk continues to review the overall interest rate environment and as demonstrated in its mortgage maturity schedule, has a substantial amount of its mortgage debt maturing subsequent to the year 2005. Boardwalk's present focus is long term financing for five to 20 years, staggering the maturity dates of its existing mortgage debt. Expressed leverage ratio is a ratio of long term debt or mortgage debt, as compared to total shareholders equity or capital. The results demonstrate the Corporation's overall increased ability to leverage existing assets at lower financing rates, thereby maximizing return on equity and increasing overall shareholder value while improving debt service coverage ratios.

Long Term Debt

Boardwalk's long term debt consists mainly of low rate, fixed term mortgage financing. All amounts are secured by individual mortgages or debentures registered against real estate properties, with the maturity dates of this debt staggered to lower the Corporation's overall interest rate risk. The Corporation's current mortgage payable of approximately $1 billion is up substantially from the $867 million recorded in fiscal 1999. This increase is mainly the result of the growth of the Corporation, the assumption of existing financing on acquisitions or the arranging of new financing on acquired or maturing buildings. While Boardwalk's debt level has increased on a per unit basis as well as on a square footage basis, the overall quality and condition of the portfolio, as well as its ensuing market value, have also increased.

During the stabilization period, Boardwalk continues to add value to its properties, which enables new mortgage proceeds to be obtained on this increased property value. Although there has been an increase in debt per unit, Boardwalk's overall weighted average interest cost has decreased dramatically over prior years. Amounts recorded on revenue producing properties have decreased to 6.29% from 6.33% recorded in May of 1999.

At May 31, 2000, the Corporation had $5 million of floating rate debt. Boardwalk's strategy of active asset management and redeployment of capital includes the use of a portion of its debt on a floating rate basis. A floating rate provides a competitive advantage, which allows available resources for further acquisitions, or capital enhancements that offer well above average rates of return. To better maintain cost effectiveness and flexibility of capital, Boardwalk continuously monitors short and long term interest rates. If the environment warrants, the Corporation will take its limited short term floating rate and lock it into a longer term fixed rate. Active management of the mortgage portfolio shows dramatic results, as evidenced in the 2000 debt maturity review. The majority of Boardwalk's debt matures subsequent to the year 2005, with only approximately 11% of its debt maturing in fiscal 2001. As in prior years, the Company will evenly space maturity of its debt, focusing on locking in mortgage rates for longer terms at advantageous rates. Boardwalk plans to meet these maturing obligations by replacing the maturing debt with new financing on the same properties. Given the fact that Boardwalk's portfolio is NHA insured and there is a strong demand for mortgage backed securities, this is not expected to pose a problem.

Outlook, Risks and Opportunities

The performance of Boardwalk's rental operations is affected directly by the supply of and demand for multi-family residential units. In macro-economic conditions such as those currently prevailing and with the expected growth in the economy, business and consumer confidence and employment levels constitute the key drive in this demand. Fiscal 2000 has again seen a lack of construction in multi-family residential developments in Alberta, Saskatchewan and Ontario. To justify the cost of a meaningful change in existing rental supply, current market rental rates would require a significant upward adjustment, and in some cases, would require near doubling in order to approach this balance. It is expected that rental rates will trend upwards significantly during fiscal 2000 and fiscal 2001, with ongoing benefits to Boardwalk's overall rental portfolio. Because Boardwalk is involved exclusively in multi-family residential real estate property, which is characterized by shorter term operating leases with no more than 12 month terms, the company can benefit almost immediately from the current market conditions. Combined with the annualization of newer property acquisitions, and the continued stabilization of Boardwalk's core portfolio, these factors will produce an overall positive effect on rental operations.

With Boardwalk's continued expansion into the eastern Canadian market, particularly in Ontario, one additional risk that must be addressed is existing legislation in the province of Ontario with respect to rent control, although, under the existing provincial government, the new legislation is referred to as rent de-control.

Existing controls limit the landlord's ability to increase tenants' rent by setting a pre-determined ceiling that increases on an annual incremental basis, even if the rent adjustment is not actually passed on to the tenant. There are additional allowances for upward rent adjustments which are the direct result of a focused capital improvement program or an adjustment designed to catch up to existing rental ceilings. To respond to these issues, Boardwalk applies its unique approach by complementing the Corporation's proven knowledge and technology with local expertise covering geography, local markets and regional legislation. With Boardwalk's continued focus on efficiency through the increased use of technology, it will continue to experience a further rationalization of its administration expenditures.

Risk Management

Boardwalk's overall performance continues to be affected by supply and demand for multi-family residential real estate in Canada. Macro-economic conditions as previously discussed will dictate or drive the demand for continued broad-based improvement. Net absorption and lower costs have also assisted the Corporation in improving performance. The potential for reduced rental revenue exists in the event that Boardwalk is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy which would result in lower rents. Boardwalk has minimized these risks by taking the following steps:

- increasing customer satisfaction
- diversifying its portfolio across Canada, particularly with the recent development of expansion into the eastern market, and thus lowering exposure to regional economic swings
- acquiring properties only in desirable locations where vacancy rates are historically at or below city-wide averages
- holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walkups, each with their own market niche
- maintaining a wide variety of suite mix including bachelor suites, one, two, three and four-bedroom units
- building a broad and varied customer base, thereby avoiding economic dependence on larger-scale tenants
- focusing on affordable multi-family housing, which is considered a stable commodity
- developing a specific rental program characterized by rental adjustments that are the result of enhanced service and superior product
- developing a management team in Ontario with experience in this local marketplace, and combining this experience with Boardwalk's existing operations and management expertise

Interest Rate Risk

Financing terms for real estate improved during fiscal 2000. Boardwalk has realized benefits from the improvement in overall real estate markets. Participation by traditional providers of real estate capital, such as insurance companies and pension funds, lowers current interest rates and narrows corporate borrowing spreads. Although current markets are concerned with the risk of interest rate increases as a way to head off inflation, management believes that these are shorter term concerns which will be corrected in the future. Boardwalk does not believe in speculating on interest rate fluctuations and has therefore taken a long-term view, locking in rates and terms for periods of between five and 20 years, where deemed appropriate. In addition, Boardwalk has a strong working relationship with CMHC, resulting in the majority of the Corporation's mortgages being insured under the NHA mortgage program. This added level of assurance offered to lenders allows the Corporation to obtain the best possible financing and interest rates. These mortgages are also insured for their full amortization, virtually

eliminating the potential for the lender to call the loan prematurely. The NHA insurance is further protection against any possible failure of the lending institution. The Corporation is also able to obtain additional financing on existing buildings in excess of conventional amounts, and therefore increase return on equity to shareholders.

Property Valuation

It is Boardwalk's policy to continually review the value of its assets in order to ensure the amounts recorded are in accordance with generally accepted accounting principles. Those assets, which are held for investment purposes, are reported via the lower of cost and net recoverable value. Cost includes all amounts relating to the acquisition and improvement of these properties. Net recoverable amounts represent the undiscounted estimated future cash flow expected to be received from ongoing use of the property and its residual value. To arrive at this amount, the Corporation projects the cash flow over a maximum of ten years and includes the proceeds of the residual sale at the end of this period. The projections take into account a specific business plan for each property and management's best estimate for the probable set of economic conditions anticipated in the prevailing market. The current year's reviews revealed that there are no significant adjustments to existing values required.

A Look Ahead – Boardwalk Then And Now

Overall, the Canadian economy continues to improve. CMHC estimates overall vacancy rates for Canada to continue to trend downward. Boardwalk estimates there are currently approximately two million multi-family residential units across the country, and only a minimum amount of new construction is expected in these markets. Alberta, Saskatchewan and Ontario account for approximately 1.3 million of these units, and, as such, Boardwalk controls approximately 1% of the entire overall market in Canada. Boardwalk commenced operations in April of 1994, and has since witnessed substantial growth and diversification. As a result of Boardwalk's strategy of acquiring under-performing properties, a period of stabilization is required following such acquisitions. During this period, both service and product enhancements are initiated, resulting in a more desirable product which is then positioned for positive adjustment. Boardwalk's overall strategy will continue to focus on both product and service enhancement for existing tenants, with the goal of achieving the utmost customer satisfaction. Although Boardwalk does not anticipate real estate growth rates to the same extent that it experienced in prior years, double digit percentage growth rate forecasts are not untoward.

In Summary

Year 2000 was one of continued success for Boardwalk. Although challenged with increasing operating costs, of which property taxes and utility costs were for the most part out of the control of management, the Corporation was still able to achieve increased operational growth. Boardwalk will continue to focus on its customer mandate and look forward to providing non-traditional real estate services to its customers in upcoming periods – further enhancing shareholder value. With the Corporation currently experiencing a strong liquidity position, it is well positioned to take advantage of upcoming opportunities.

Boardwalk's challenge for the future is the continued creation of value-added products and services to meet our customers' needs, while at the same time, keeping operations as efficient as possible. With Boardwalk's existing and new markets experiencing strong economic advancement, further improvements to service and strategic capital enhancement, the Company is well positioned for appreciation in shareholder value.

Management's Report:

To the Shareholders
of Boardwalk Equities Inc.

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

Deloitte & Touche LLP, an independent firm of chartered accountants, has been engaged to audit the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

Sam Kolias

President and Chief Executive Officer

Roberto A. Geremia

Vice President Finance and Chief Financial Officer

July 21, 2000

Auditors' Report:

To the Shareholders
of Boardwalk Equities Inc.

We have audited the consolidated balance sheets of Boardwalk Equities Inc. as at May 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at May 31, 2000 and 1999 and the results of its operations and the changes in its financial position for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Calgary, Alberta

July 21, 2000

Consolidated Balance Sheets:

		As at May 31,	
		2000	1999
(Thousands of Canadian dollars)	Note		*(restated Note 1f)*
Assets			
Revenue producing properties	2	$ 1,318,658	$ 1,113,876
Properties held for development and resale	2	6,365	29,771
Mortgages and accounts receivable	3	26,506	23,513
Other assets	4	7,586	8,829
Deferred financing costs		30,337	24,811
Technology initiative	5	7,441	–
Cash and short-term investments		1,135	–
		$ 1,398,028	$ 1,200,800
Liabilities			
Mortgages payable	6	$ 1,009,526	$ 867,757
Accounts payable and accrued liabilities		17,769	14,779
Refundable security deposits and other		8,494	6,382
Bank indebtedness		–	4,388
Income taxes payable		753	1,170
Future income taxes		75,673	70,338
		1,112,215	964,814
Shareholders' Equity			
Share capital	7	253,472	210,628
Retained earnings		32,341	25,358
		285,813	235,986
		$ 1,398,028	$ 1,200,800

See accompanying notes to the consolidated financial statements

Approved by the Board:

Sam Kolias
Director

David V. Richards
Director

Consolidated Statements of Earnings:

(Thousands of Canadian dollars, except per share amounts)	Note	Years Ended May 31, 2000	1999 *(restated Note 1f)*
Revenue			
Rental income		178,147	140,590
Sales – properties held for development and resale		39,824	45,382
		217,971	185,972
Operating expenses			
Revenue producing properties		42,611	34,645
Cost of sales			
– properties held for development and resale		24,017	28,532
Property taxes		18,431	12,285
Administration		16,891	10,444
Financing costs		58,212	46,401
Amortization		38,177	26,545
		198,339	158,852
Operating earnings before income taxes		19,632	27,120
Large corporations taxes		2,881	2,414
Income taxes	8	6,306	10,221
Net earnings		10,445	14,485
Earnings per share – basic and fully diluted		0.21	0.31

See accompanying notes to the consolidated financial statements

Consolidated Statements of Retained Earnings:

(Thousands of Canadian dollars)	Note	2000	1999 (restated Note 1f)
		Years Ended May 31,	
Retained earnings, as previously stated		26,581	11,774
Adjustment for retroactive adoption of future income taxes	1(f)	(1,223)	(901)
Retained earnings, beginning of year, restated		25,358	10,873
Net earnings		10,445	14,485
Premium on share repurchases	7	(3,462)	–
Retained earnings, end of year		32,341	25,358

Consolidated Statements of Cash Flows from Operations:

(Thousands of Canadian dollars, except per share amounts)	2000	1999 (restated Note 1f)
	Years Ended May 31,	
Net earnings	10,445	14,485
Items not affecting cash		
Amortization	38,177	26,545
Income taxes	6,306	10,221
Cash flows from operations prior to changes in non-cash working capital	54,928	51,251
Per share – Basic and fully diluted	1.12	1.11

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows from Operations:

(Thousands of Canadian dollars)	Years Ended May 31, 2000	1999 *(restated Note 1f)*
Cash obtained from (used in):		
Items from operations		
Cash flows from operations	$ 54,928	$ 51,251
Net change in non–cash working capital	2,936	12,279
	57,864	63,530
Financing activities		
Issue of common shares	45,295	4,934
Repurchase of common stock	(6,885)	(1,492)
Financing of revenue producing properties	314,238	339,222
Repayment of debt on revenue producing properties	(219,020)	(190,879)
Deferred financing costs	(8,810)	(11,558)
	124,818	140,227
Investing activities		
Purchases of revenue producing properties net of debt on acquisitions of $58.8 million (1999 – $75.3 million) and shares issued $Nil (1999 – $1.6 million)	(84,784)	(96,068)
Project improvement to revenue producing properties	(84,934)	(86,318)
Technology initiatives	(7,441)	–
Payments on 1998 property acquisitions	–	(42,813)
	(177,159)	(225,199)
Increase (decrease) in cash balance during the year	5,523	(21,442)
(Bank indebtedness) cash balance, beginning of year	(4,388)	17,054
Cash balance (bank indebtedness), end of year	$ 1,135	$ (4,388)
Taxes paid	$ 2,912	$ 2,163
Interest paid	$ 57,098	$ 45,765

See accompanying notes to the consolidated financial statements

Notes to Consolidated Financial Statements:

For the years ended May 31, 2000 and 1999

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

Note 1 Significant Accounting Policies

(a) Operations

Boardwalk Equities Inc. (the "Corporation") is a real estate corporation that specializes in multi-family residential housing.

(b) Basis of presentation and principles of consolidation

The Corporation's accounting policies and its standards of financial disclosure conform with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). These principles differ in certain respects from those generally accepted in the United States of America ("U.S. GAAP") and to the extent that they affect the Corporation, these differences are described in Note 10 "Differences from United States Accounting Principles".

The Corporation's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies ("CIPREC").

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The consolidated financial statements include accounts of the Corporation and of all subsidiaries of the Corporation where more than 50% of the voting shares are owned. All material inter-company transactions have been eliminated.

(c) Revenue recognition

(i) Revenue from a rental property is recognized once the Corporation has attained substantially all of the benefits and risks of ownership of the rental property. Rental revenue includes rents, parking and other sundry revenues. All residential leases are for one year terms or less, consequently, the Corporation accounts for leases with its tenants as operating leases.

(ii) Revenue from the sales of property held for development and resale is recognized when all conditions of the purchase agreement have been met, a purchaser deposit has been received and there is reasonable assurance on the collectability of any outstanding amount.

(d) Real estate properties

(i) Revenue producing properties

Revenue producing real estate properties, which are held for investment, are stated at the lower of cost less accumulated amortization or "net recoverable amount". Cost includes all amounts relating to the acquisition and improvement of the properties. All costs associated with upgrading of the existing facilities, other than ordinary repairs and maintenance, are capitalized and amortized as project improvements.

The net recoverable amount represents the undiscounted estimated future net cash flows expected to be received from the ongoing use of the property plus its residual value. To arrive at this amount, the Corporation projects the cash flows over a maximum of 10 years and includes the proceeds from the estimated residual sale at the end of that period. The projections take into account the specific business plan for each property and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market area.

(ii) Properties held for development and resale

The Corporation capitalizes all direct costs, net of related revenue. Direct costs include property taxes, administration costs, finance costs and other costs associated with the cost of property held for development and resale. Real estate properties held for development and resale are recorded at the lower of cost or net realizable value.

(e) Amortization

Revenue producing real estate properties are amortized at rates designed to amortize the cost of the properties over their estimated useful lives as follows:

Building	4%	–	Sinking fund, 50 years
Parking lots	8%	–	Declining-balance
Appliances and cabinets	10%	–	Declining-balance
Project improvements	10%	–	Declining-balance
Equipment	20%	–	Declining-balance
Suite improvements	20%	–	Declining-balance

The Corporation has revised the rates of amortization for project improvements (which include building exteriors and major hallway renovations) and appliances and cabinets, and increased income before income taxes, as of June 1, 1999, in order to more closely reflect their estimated remaining useful lives. The effect of the revision of rates has been to reduce amortization and increase net earnings for the year ended May 2000 by $12.7 million. The $12.7 million effect decreases by 5% each year for the next five years.

Amortization of revenue producing buildings is determined using the sinking fund method under which an increasing amount consisting of a fixed annual sum, together with interest compounded at a rate of 4%, is charged to income so as to fully depreciate the buildings over their estimated life of 50 years. Insurance premiums paid to Canada Mortgage and Housing Corporation to obtain insurance through the National Housing Act are amortized over 25 years on a straight-line basis. Costs of refinancing are amortized on a straight–line basis over the life of the new loan.

(f) Income taxes

During the fourth quarter of 2000, the Corporation adopted the new CICA Handbook Section 3465, Income Taxes. Under this method, the future income tax asset and liability method of accounting for income taxes is used, and future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax basis. In addition, the future benefits of income tax assets including unused tax losses are recognized to the extent that it is more likely than not that such losses will be ultimately utilized. These new standards also require that future income tax assets and liabilities be measured using enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be either settled or realized. The Corporation has applied this accounting policy retroactively.

The following table illustrates the change on the balance sheets and income statements as a result of the Corporation adopting the new CICA Handbook Section 3465.

	As Restated	Prior Method	Effect of Adoption – Increase (Decrease)
Fiscal 2000			
Change in Balance Sheet			
Revenue Producing Properties	$ 1,318,658	$ 1,266,227	$ 52,431
Deferred/Future Income Tax Liability	75,673	22,649	53,024
Retained Earnings	32,341	32,934	(593)
Change in Income Statement			
Amortization Expense	38,177	37,618	559
Deferred/Future Income Tax Expense	6,306	7,495	(1,189)
Net Earnings	10,445	11,075	(630)
Fiscal 1999			
Change in Balance Sheet			
Revenue Producing Properties	1,113,876	1,061,774	52,102
Properties Held for Development	29,771	28,882	889
Deferred/Future Income Tax Liability	70,338	16,126	54,212
Retained Earnings	25,358	26,581	(1,223)
Change in Income Statement			
Amortization Expense	26,545	26,082	463
Deferred/Future Income Tax Expense	10,221	10,362	(141)
Net Earnings	$ 14,485	$ 14,807	$ (322)

(g) Per share calculation

Basic net earnings and cash flows from real estate operations per share were calculated based on the weighted average number of shares outstanding for the year. The calculation of net earnings and cash flows from real estate operations per share on a fully diluted basis considered the potential exercise of outstanding share purchase options to the extent each option was dilutive.

(h) Risk management and fair value

Risk Management

The Corporation is exposed to financial risk that arises from the fluctuation in interest rates and in the credit quality of its tenants. These risks are managed as follows:

(i) Interest rate risk

Interest rate risk is minimized through management's constant review of demand and maturing secured mortgages. If market conditions warrant, the Corporation has the ability to convert its existing demand debt to fixed rate debt. At May 31, 2000, the Corporation had demand debt outstanding of $5 million (1999 – $46 million). In addition, the Corporation structures its financings so as to stagger the maturities of its debt, thereby minimizing the Corporation's exposure to interest rate fluctuations.

(ii) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The Corporation mitigates this risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect to all new leases. In addition, where legislation allows, the Corporation obtains a security deposit to assist in a potential recovery requirement.

Fair Value

In accordance with the disclosure requirements of the CICA Handbook, the Corporation is required to disclose certain information concerning its "financial instruments", defined as a contractual right to receive or deliver cash or another financial asset. The fair value of the majority of the Corporation's financial assets and liabilities, representing net working capital, approximate their recorded values at May 31, 2000 due to their short term nature. In these circumstances, the fair value is determined to be the market or exchange value of the assets or liabilities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates. The significant financial instruments of the Corporation and their carrying values as of May 31, 2000 are as follows:

	Carrying Value	Fair Market Value
Mortgages and accounts receivable	$ 26,506	$ 25,307
Mortgages payable	$ 1,009,526	$ 1,071,022

The fair value of the Corporation's mortgages payable exceeds the recorded value by approximately $61.5 million at May 31, 2000 due to changes in interest rates since the dates on which the individual mortgages were assumed. The fair value of the mortgages payable has been estimated based on the current market rates for mortgages with similar terms and conditions.

(i) Measurement uncertainty

The accounting process requires that management make a number of estimates including the following:

(i) economic useful life of buildings for purposes of calculating amortization as disclosed in Note 1(e)

(ii) forecast of economic indicators in order to measure fair values of buildings for purposes of determining net recoverable amount under Canadian generally accepted accounting principles as discussed in Note 1(d)

(iii) amount of capitalized on site wages which relate to project improvements, as discussed in Note 2

Actual results may differ from these estimates.

Management periodically reviews the useful lives of its properties to determine the adequacy of its amortization policy. Also, economic indicators are monitored to ensure that current information is used in projections of cash flows.

(j) The Corporation adopted, effective June 1, 1999, retroactively, the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of Statement of Cash Flows. Prior period figures have been restated for comparison purposes.

(k) Certain comparative figures have been reclassified to conform with the current year's presentation.

Note 2 Real Estate Properties

	2000	1999
Revenue producing properties	$ 1,391,937	$ 1,154,489
Less: accumulated amortization	(73,279)	(40,613)
	1,318,658	1,113,876
Properties held for development and resale	6,365	29,771
	$ 1,325,023	$ 1,143,647

Included in revenue producing properties is $7.8 million (1999– $9.7 million) of capitalized wages and salaries relating to project improvements. Included in the cost of properties held for development and resale are capitalized financing costs of $0.3 million (1999 – $1.5 million) less net operating revenue of $0.9 million (1999 – $1.6 million). Real estate assets are pledged as security against mortgages payable.

During the year, the Corporation acquired 3,283 units for the aggregate consideration of $143.6 million, consisting of $84.8 million in cash and $58.8 million in debt financing. A total of 689 units were sold during the year for gross proceeds of $39.8 million, consisting of $24.7 million in cash and assumed debt and $15.1 million in receivables.

During the year, ended May 31, 1999, the Corporation purchased 3,809 units for the aggregate consideration of $173 million, consisting of $96.1 million cash, $75.3 million in debt financing and $1.6 million of issued common shares at $15.95 per share. A total of 849 units were sold in 1999 for gross proceeds of $45.4 million consisting of $33.4 million in cash and assumed debt, and $12.0 million in receivables.

Note 3 Mortgages and Accounts Receivable

The mortgages and accounts receivable comprise an aggregate amount of $26.5 million (1999 – $23.5 million) which come due periodically up to May 15, 2003. The Corporation is currently earning a weighted average interest rate of 5.10% (1999 – 6.29%) on these amounts.

Other Assets

	2000	1999
Head office building and warehouses	$ 3,278	$ 3,007
Deposits on properties	50	2,925
Inventory	2,207	2,270
Prepaid and other	2,051	627
	$ 7,586	$ 8,829

Technology Initiative

Technology initiative includes costs associated with the construction of the Corporation's technological central office. The amounts consist of the following:

	2000	1999
Land and building	$ 6,623	–
Capitalized costs	818	–
Total	$ 7,441	$ –

During the last quarter, the Corporation commenced construction of the 'head end' of its telephone and cable initiative and as a result, the Corporation entered into commitments totalling $10 million (1999 – $Nil) with various suppliers for the purchase and installation of certain equipment. A significant portion of these commitments are in the form of capital leases with a weighted average interest rate of 10.68% which call for equal monthly payments for five to six years. These assets have not been capitalized as at the balance sheet date as the risks and rewards of ownership had not yet transferred to the Corporation.

Note 6 Mortgages Payable

	2000	1999
(a) Revenue producing properties		
Mortgages payable bear interest at a weighted average rate of 6.29% (1999 – 6.33%) per annum, payable in monthly principal and interest installments totalling $7.2 million (1999 – $5.8 million) maturing from demand to 2020 and are secured by specific charges against specific properties.	$ 1,008,902	$ 850,520
(b) Properties held for development and resale		
Mortgages payable bear interest at a weighted average rate of 8.88% (1999 – 7.09%) per annum, payable in monthly principal and interest installments totalling $6,000 (1999 – $120,000), maturing in 2001 and are secured by specific charges against specific properties.	624	17,237
	$ 1,009,526	$ 867,757

(c) Demand Facilities

The Corporation has a demand facility in the form of an acquisition and operating line. This demand facility is secured by pledge of specific assets. The maximum varies with the value of pledged assets to a maximum not to exceed $100 million (1999 – $102.5 million), with $5 million outstanding as at May 31, 2000 (1999 – $46 million). This facility carries an interest rate of prime plus 3/4% per annum, and has no fixed terms.

Estimated principal payments required to meet mortgage obligations as at May 31, 2000 are as follows:

	Revenue Producing Properties	Properties Held for Development & Resale	Total
2001	$ 110,912	$ 624	$ 111,536
2002	134,106	–	134,106
2003	104,345	–	104,345
2004	128,521	–	128,521
2005	78,206	–	78,206
Subsequent	452,812	–	452,812
	$ 1,008,902	$ 624	$ 1,009,526

Note 7 Share Capital

(a) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares, issuable in series

Issued:

Preferred shares

The Corporation issued 5,604,956 preferred shares, with a face value of $1.00 per share and a face rate of 0%, in conjunction with the acquisition of certain properties. These preferred shares are offset by a non-interest bearing note receivable from the holder for the equivalent amount. Both the preferred shares and the note receivable are retractable at either parties initiative and have been offset for the consolidated financial statement presentation.

Common shares

	Shares	Amount
May 31, 2000	49,240,242	$ 253,472
May 31, 1999	46,555,143	$ 210,628

Details of shares issued are as follows:

	Shares	Amount
May 31, 1998	45,459,999	$ 205,551
1999		
On acquisition of asset	102,462	1,635
On exercise of stock options	1,106,482	4,934
Share buy-back	(113,800)	(1,492)
May 31, 1999	46,555,143	$ 210,628
2000		
On exercise of stock options	268,099	1,224
Share buy-back	(688,000)	(3,423)
On equity offering	3,105,000	46,264
Less expenses relating to issue of equity, net of income taxes of $970,000	–	(1,221)
May 31, 2000	49,240,242	$ 253,472

The Corporation commenced a normal course issuer bid on March 1, 2000 allowing it to purchase up to 2,236,400 common shares for cancellation until its termination on February 28, 2001 or such earlier time as the bid is complete. During the year, the Corporation acquired and cancelled 688,000 (1999 – 113,800) common shares at a cost of $6.9 million (1999 – $1.5 million). The excess of the cost over stated value of the shares acquired of $3.5 million (1999 – $Nil) has been charged to retained earnings.

(b) Stock Options

The Corporation has a stock option plan that provides for the granting to directors, officers and associates of the Corporation options to purchase up to 7,795,822 (1999 – 4,000,000) common shares. As at May 31, 2000, there are a total of 4,043,402 (1999 – 3,684,277) options outstanding to directors, officers and associates. The exercise prices range from $1.50 to $22.92. These options expire up to March 24, 2010. All options are issued at market price.

	2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	3,684,277	$ 13.05	2,832,270	$ 8.74
Granted	1,655,620	11.88	2,162,420	14.62
Exercised	(268,099)	4.57	(930,880)	2.46
Forfeited	(1,028,396)	14.66	(379,533)	15.81
Outstanding at year end	4,043,402	$ 12.71	3,684,277	$ 13.05

Options exercisable at year end

The following table summarizes information about the options outstanding at May 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.50 to $2.25	33,884	0.8	$ 2.10	33,884	$ 2.10
$3.83 to $4.50	250,000	0.8	3.83	250,000	3.83
$9.11 to $13.67	2,205,900	7.5	11.08	430,680	11.46
$14.05 to $21.08	1,426,618	6.8	16.17	293,847	17.45
$22.24 to $22.92	127,000	2.9	22.53	62,501	22.53
	4,043,402	6.6	$ 12.71	1,070,912	$ 11.68

Note 8 Future Income Taxes

The Corporation has tax losses of approximately $93 million available to reduce future taxable income, the benefit of which has been accounted for in computing future income taxes. These losses materially begin to expire in 2005.

	2000	1999
Tax expense based on expected rate of 45%	$ 8,760	$ 12,101
Non-taxable portion of capital gain	(748)	(1,880)
Adjustment for effective change in tax rate	(1,706)	–
Future income tax expense	$ 6,306	$ 10,221

Note 9 Related Party Transactions

During the year, the Corporation advanced loans to two of its senior officers. The total amount of the advances were $1.46 million (1999 – $Nil) and were interest bearing at the fair market value rate of the prime bank rate of the Toronto Dominion Bank plus 1%. Interest in the amount of $56,000 was received during the year on these balances. At May 31, 2000, all amounts outstanding were repaid to the Corporation.

Note 10 Differences From United States Accounting Principles

Canadian GAAP varies in many respects from the principles that the Corporation would follow if its consolidated financial statements were prepared in accordance with US GAAP. The effects of significant accounting differences on the Corporation's balance sheets and statements of earnings, retained earnings and cash flows are quantified and described in the accompanying notes.

Under Canadian GAAP, companies in the real estate industry provide supplementary measures of cash flows from operating activities and cash flows per share in the consolidated financial statements, provided that these measures are not given greater prominence than reported net earnings or earnings per share. For the purpose of reporting under US GAAP, companies would not provide supplementary measures of cash flows per share and cash flows from operations in the consolidated financial statements.

Statement of Earnings Differences

The incorporation of the significant differences in accounting principles in the Corporation's income statement for the year ended May 31, 2000, under US GAAP, would result in net earnings, after extraordinary item of Cdn $2.7 million (1999 – Cdn $6.2 million). The main differences between Canadian GAAP and US GAAP are summarized in the following table:

Years ended May 31	2000 Cdn.$	1999 Cdn $	2000 * *(Unaudited)* US$
Net earnings under Canadian GAAP	$ 10,445	$ 14,485	$ 7,089
Adjustments			
Increase in amortization of revenue producing properties (a)	(16,091)	(14,020)	(10,920)
Decrease in amortization of deferred financing costs (b)	1,060	460	719
Decrease in operating expenses due to property held for development capitalized revenues (c)	600	100	407
Increase gain on sales due to increased amortization (d)	1,036	664	703
Decrease in future income taxes as a result of foregoing adjustments (e)	5,971	5,709	4,052
Net earnings under US GAAP before extraordinary item	3,021	7,398	2,050
Extraordinary item – extinguishment of debt less applicable taxes of $247 – 2000, $914 – 1999	(320)	(1,182)	(217)
Net earnings under US GAAP after extraordinary item	2,701	6,216	1,833
Net earnings per share before extraordinary item – Basic and fully diluted	.06	.16	.04
Net earnings per share after extraordinary item – Basic and fully diluted	.06	.13	.04

* *Translation to US dollars prepared for convenience only at a rate of Cdn $1.47 = US $1.00.*

The significant differences in each category between Canadian GAAP and US GAAP are as follows:

(a) Revenue Producing Properties Amortization

Under Canadian GAAP, revenue producing properties have been amortized using the sinking fund method over 50 years. Under US GAAP, revenue producing properties are amortized on a straight–line basis over a 40 year period. In recomputing amortization on a straight–line basis, the additional amortization expense would be Cdn $16.1 million (1999 – Cdn $14.0 million).

(b) Deferred Financing

Under US GAAP, the amortization taken under Canadian GAAP for specific costs relating to mortgage prepayment penalties must be added back to earnings. The full amount of the mortgage prepayment penalties are fully charged to income as documented in Note 10(f). This results in a decrease in amortization expense by Cdn $1.1 million (1999 – Cdn $0.5 million).

(c) Capitalization of Revenues for Property Held for Development

Under US GAAP, operating revenue, net of its expenses, for property held for development would be recorded as income when incurred. For the year ended May 31, 2000, this would increase net income by Cdn $0.6 million (1999 – Cdn $0.1 million).

(d) Increased Gain on Sales

Under US GAAP, amortized properties will have a lower net book value than under Canádian GAAP due to increased annual amortization. The increased gain for year ended May 31, 2000 is $1 million (1999 – Cdn $0.7 million).

(e) Future Income Taxes

Under Canadian and US GAAP, income taxes are accounted for using the liability method. For the year ended May 31, 2000, a reduction of future income tax expense of Cdn $6.0 million (1999 – Cdn $5.7 million) would be recorded due to the tax effect of the stated differences between Canadian and US GAAP.

(f) Extinguishment of Debt

Under US GAAP, all costs associated with the extinguishments of existing mortgage debt are charged to the period incurred. These are to be disclosed as extraordinary items and reported net of applicable taxes. For the year ended May 31, 2000, this would decrease net earnings by Cdn. $0.3 million (1999 – Cdn. $1.2 million).

Comprehensive Income

Under US GAAP, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130 "Reporting Comprehensive Income". Comprehensive income, which incorporates net income, includes all changes in equity during the year. The Corporation's comprehensive income was equal to net earnings for all periods presented.

Segmentation

The Corporation operates in the multi-family residential market and exclusively serves this segment.

Earnings Per Share

Earnings per share amounts are based on income in accordance with US GAAP and computed in accordance with FAS No. 128, Earnings Per Share. Under this US standard, fully diluted earnings per share is determined using the weighted average number of shares outstanding during the year, adjusted to reflect the application of the treasury stock method for the Corporation's outstanding options. There is no material difference between basic and fully diluted under this method. The number of shares outstanding for basic and fully diluted net earnings per share for US GAAP purposes were 48,947,811 (1999 – 46,087,896) and 48,979,758 (1999 – 46,694,636) respectively.

Stock Options Expense

Under Canadian GAAP, no compensation expense has been recorded in respect of stock options granted during the year. Under US GAAP, the Corporation has adopted the recommendations of the Statement of Financial Accounting Standards No. 123 ("SFAS 123"), which is entitled, "Accounting for Stock-Based Compensation", which establishes financial accounting and reporting standards for stock-based employee compensation plans. The Corporation has elected to follow Accounting Principals Board No. 25, Accounting for Stock Issued to Employees ("APB 25") and related interpretations in accounting for its employee stock options due to the fact that the exercise price of the underlying stock equals the market price of the underlying stock on the date of the grant. As such no compensation expense is recognized.

SFAS No. 123, "Accounting for Stock-Based Compensation", requires the use of a fair value based method of accounting for stock options. Under this method, compensation cost is measured at the grant date based on the fair value of the options granted and is recognized over the exercise period. However, SFAS No. 123 allows the Corporation to continue to measure compensation costs in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees". The weighted average fair value of options granted throughout the year were $9.50 (1999 – Cdn $10.13).

The following two pro forma financial information tables present the pro forma net operating results for the year and the pro forma basic and fully diluted earnings (loss) per share, before and after extraordinary item, had the Company adopted the fair value method specified in SFAS No. 123 for all stock options issued to employees and directors.

Earnings Before Extraordinary Item

	2000 Cdn$	1999 Cdn$	2000* *(Unaudited)* US$
Pro forma net earnings (loss) before extraordinary item under US GAAP	(3,841)	3,628	(2,607)
Pro forma basic earnings (loss) before extraordinary item per share	(.08)	.08	(.05)
Pro forma fully diluted earnings (loss) before extraordinary item per share	(.08)	.08	(.05)

* *Translation to US dollars prepared for convenience only, at a rate of Cdn $1.47 = US $1.00.*

Earnings After Extraordinary Item

	2000 Cdn$	1999 Cdn$	2000* *(Unaudited)* US$
Pro forma net earnings (loss) after extraordinary item under US GAAP	(4,161)	2,447	(2,825)
Pro forma basic earnings (loss) after extraordinary item per share	(.09)	.05	(.06)
Pro forma fully diluted earnings (loss) after extraordinary item per share	(.09)	.05	(.06)

* *Translation to US dollars prepared for convenience only, at a rate of Cdn $1.47 = US $1.00.*

Balance Sheet Differences

There are differences in the treatment of balance sheet items between Canadian GAAP and US GAAP. The incorporation of the significant differences in accounting principles in the Corporation's consolidated financial statements as at May 31, 2000 and 1999, would result in the following balance sheet presentation under US GAAP:

As at May 31	2000 Cdn$	1999 Cdn$	2000 * *(Unaudited)* US$
Assets			
Revenue producing properties	$ 1,275,235	$ 1,085,606	$ 852,622
Properties held for development and resale	6,365	29,073	4,256
Mortgages and accounts receivable	26,506	23,513	17,722
Other assets	7,586	8,829	5,072
Deferred financing costs	25,430	19,410	17,002
Technology initiative	7,441	–	4,975
Cash and short-term investments	1,135	–	759
Total assets under US GAAP	$ 1,349,698	$ 1,166,431	$ 902,408
Liabilities and shareholders' equity			
Mortgages payable	$ 1,009,526	$ 867,757	$ 674,969
Accounts payable and accrued liabilities	17,768	14,595	11,880
Refundable security deposits and other	8,494	6,382	5,679
Bank indebtedness	–	4,388	–
Payable on property acquisitions	–	182	–
Income taxes payable	753	1,170	503
Future income taxes	53,223	54,107	35,585
	$ 1,089,764	$ 948,581	$ 728,616
Share capital	253,473	210,628	169,472
Retained earnings	6,461	7,222	4,320
Total liabilities and equity under US GAAP	$ 1,349,698	$ 1,166,431	$ 902,408

* *Translation to US dollars prepared for convenience only, at a rate of Cdn $1.50 = US $1.00.*

The significant differences in each category between Canadian GAAP and US GAAP are as follows:

Revenue Producing Properties

As at May 31	2000 Cdn$	1999 Cdn$	2000 * *(Unaudited)* US$
Revenue producing properties under Canadian GAAP	$ 1,318,658	$ 1,113,876	$ 881,655
Additional accumulated amortization under US GAAP (a)	(45,171)	(29,081)	(30,201)
Additional gains on sold assets (b)	1,846	811	1,234
Capitalization of net operating revenues reversed under US GAAP (c)	(98)	–	(66)
Revenue producing properties under US GAAP	$ 1,275,235	$ 1,085,606	$ 852,622

* *Translation to US dollars prepared for convenience only, at a rate of Cdn $1.50 = US $1.00.*

(a) Accumulated Amortization

The difference between Canadian GAAP and US GAAP affecting the carrying value of revenue producing properties relates to US GAAP requiring straight-line amortization to be applied to depreciable assets rather than the sinking fund method of amortization. At May 31, 2000, this would result in a cumulative adjustment of Cdn $45.2 million (1999 – Cdn $29.1 million).

(b) Additional Gains on Sold Assets

As a result of increased amortization on sold assets under US GAAP, at May 31, 2000, an increase to revenue producing properties to Cdn $1.8 million (1999 – Cdn $0.8 million) is required to offset the lower cost of sale.

(c) Capitalization of Net Operating Revenues Reversed

Under US GAAP, the Corporation must consider net operating income of in-service properties as period revenue rather than capitalizing them. This accumulated adjustment at May 31, 2000, a decrease of Cdn $0.1 million, represents the capitalized costs of properties transferred to revenue producing from property held for development.

Property Held for Development

As at May 31	2000 Cdn$	1999 Cdn$	2000 * (Unaudited) US$
Property held for development under Canadian GAAP	6,365	29,771	4,256
Reversal of net operating income capitalized under Canadian GAAP	–	(698)	–
Property held for development under US GAAP	6,365	29,073	4,256

* *Translation to US dollars prepared for convenience only, at a rate of Cdn $1.50 = US $1.00.*

Under US GAAP, operating revenue, net of expenses, for property held for development would be recorded as income when incurred for properties "in-service". At May 31, 1999 the accumulated net revenue capitalized amounted to $0.7 million. There were no such capitalized revenues at May 31, 2000.

Deferred Financing Costs

As at May 31	2000 Cdn$	1999 Cdn$	2000 * (Unaudited) US$
Deferred financing costs under Canadian GAAP	30,337	24,811	20,283
Reversal of debt penalty amortization	2,043	982	1,367
Write off of debt penalty fees	(6,950)	(6,383)	(4,648)
Deferred financing costs under US GAAP	25,430	19,410	17,002

* *Translation to US dollars prepared for convenience only, at a rate of Cdn $1.50 = US $1.00.*

The reversal of debt penalty amortization incurred under Canadian GAAP is described above in Note 10(b) under Statement of Earnings Differences. This reversal in amortization increases the deferred financing assets by Cdn $2 million (1999 – Cdn $1 million). The second difference requiring the write off of debt penalty fees for US GAAP, is described above in Note 10(f) under the Statement of Earnings Differences. At May 31, 2000, this would result in a cumulative adjustment of Cdn $7 million (1999 – Cdn $6.4 million).

Income Taxes

Under US GAAP, the Corporation has a future income tax liability of Cdn $53.2 million (1999 – Cdn $54.1 million). The major offsetting balance created by this adjustment increases revenue producing properties by Cdn $54.6 million (1999 – Cdn $53.7 million), property held for development by $Nil (1999 – Cdn $0.9 million) to offset purchase discrepancies.

The future income tax liability under US GAAP is calculated as follows:

As at May 31	2000 Cdn$	1999 Cdn$	2000 * *(Unaudited)* US$
Tax assets related to operating losses	41,411	24,111	27,687
Tax liabilities related to differences in tax and book basis	(94,634)	(78,218)	(63,272)
Future income tax liability under US GAAP	(53,223)	(54,107)	(35,585)

* *Translation to US dollars prepared for convenience only, at a rate of Cdn $1.50 = US $1.00.*

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by FAS No 137, effective for fiscal periods beginning on or after June 15, 2000. This new standard establishes the accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The Corporation has not yet determined the impact, if any, of these pronouncements on its consolidated financial statements.

In March 2000, the FASB issued FASB Interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation". The Corporation will be required to adopt FIN 44 effective July 1, 2000 with respect to certain provisions applicable to, amongst other things, new awards, modifications to outstanding awards and changes to grantee status that occur on or after that date. FIN 44 also addresses practice issues related to the application of APB Opinion No. 25. The Corporation has not yet determined whether the application of FIN 44 will have a material effect on its consolidated financial statements.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition", which outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the SEC. The adoption of SAB No. 101 did not have a material impact on the Corporation's financial position and results of operations.

Note 11 Subsequent Events

(a) Property Acquisitions

Subsequent to May 31, 2000, the Corporation has contracted to acquire 323 units for an aggregate purchase price of $15.2 million. The acquisitions were financed through cash of $11.2 million and the combination of new financings and the assumption of existing mortgages and vendor mortgages.

(b) Stock Options

Subsequent to May 31, 2000, the Corporation issued 175,000 share options at $12.70 to officers and associates of the Corporation. These options have a five year vesting period with 1/5 vesting on each anniversary date. These options expire up to June 20, 2010.

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Fax on Demand: (403) 531-9321
Website: *www.bwalk.com*

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George J. Reti
Calgary, Alberta

Van Kolias
Calgary, Alberta

Kevin P. Screpnechuk
Calgary, Alberta

A. Gordon Stollery
Calgary, Alberta

Paul J. Hill
Regina, Saskatchewan

David V. Richards
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Michael D. Young
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Calgary, Alberta T2P 2P6

Auditors

Deloitte & Touche LLP
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Calgary, Alberta T2P 0S7

Annual Meeting

The Annual General Meeting of the Shareholders of Boardwalk Equities Inc. will be held in the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time) on Wednesday, November 1, 2000. Shareholders are encouraged to attend and those unable to do so, are requested to complete the Form of Proxy and forward it at their earliest convenience.

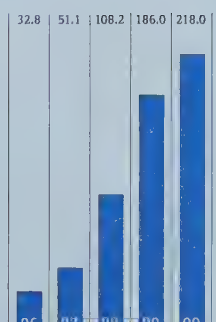
Fast Facts:

Five Year Financial Summary

($ 000's except per share)	1996*	1997*	1998*	1999	2000
Total revenues	32,800	51,100	108,200	186,000	217,971
Revenue producing properties					
Rental income	14,434	29,078	75,407	140,590	178,147
Rental guarantee income	1,584	–	–	–	–
	16,018	29,078	75,407	140,590	178,147
Operating expenses					
Revenue producing properties	3,999	7,195	20,529	34,645	42,611
Property taxes	1,632	3,437	6,747	12,285	18,431
Financing costs	7,392	13,683	26,055	46,401	58,212
Amortization	1,780	3,481	11,169	26,545	38,177
	14,803	27,796	64,500	119,876	157,431
Earnings before corporate charges	1,215	1,282	10,907	20,714	20,716
Cash flow before corporate charges	2,995	4,763	22,076	47,259	58,893
Sales of properties held for development and resale					
Revenue	16,735	22,031	32,768	45,382	39,824
Cost of sales	14,899	14,892	21,273	28,532	24,017
Income before corporate charges	1,836	7,139	11,495	16,850	15,807
Corporate charges					
Administration	226	2,325	6,844	10,444	16,891
Large Corporations Tax	474	1,089	1,878	2,414	2,881
Future income taxes	1,253	2,703	5,693	10,221	6,306
	1,953	6,117	14,415	23,079	26,078
Net earnings	1,098	2,304	7,987	14,485	10,445
Earnings per share - fully diluted	0.05	0.08	0.20	0.31	0.21
Cash flow from operations	4,131	8,488	24,849	51,251	54,928
Cash flow per share - fully diluted	0.16	0.30	0.63	1.11	1.12

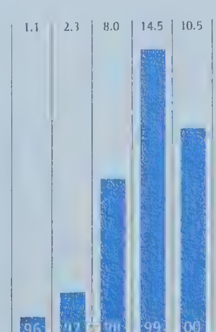
* *Amounts reported have not been adjusted to reflect the change in accounting for future income taxes.*

Revenue
$ millions

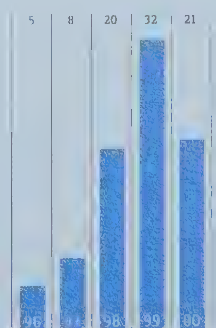


Cash Flow
from Operations
$ millions

Net Earnings
$ millions



Earnings per Share
Cents



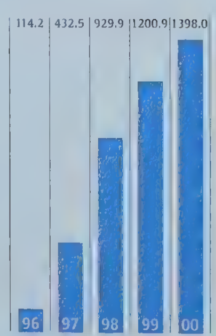
Fast Facts:

Balance Sheets

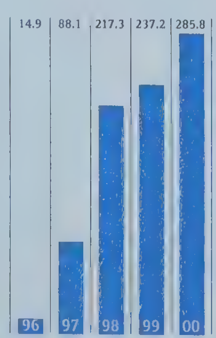
($ 000's except as noted)	1996*	1997*	1998*	1999	2000
Assets					
Revenue producing properties	99,263	344,634	856,427	1,113,876	1,318,658
Properties held for development and resale	6,820	18,338	30,819	29,771	6,365
	106,083	362,972	887,246	1,143,647	1,325,023
Other assets	8,138	69,491	42,640	57,153	73,005
Total assets	114,221	432,463	929,886	1,200,800	1,398,028
Mortgage payable	94,651	310,342	645,652	867,757	1,009,526
Other liabilities	4,646	33,982	66,909	97,057	102,689
	99,297	344,324	712,561	964,814	1,112,215
Shareholder's equity	14,924	88,139	217,325	235,986	285,813
Total liabilities and shareholders' equity	114,221	432,463	929,886	1,200,800	1,398,028
Common shares outstanding (000)	26,780	31,628	45,500	46,555	49,240
Share price May 31, ($)	3.75	9.88	22.00	16.00	12.55
Market capitalization ($Mm)	0.100	0.312	1.001	0.745	0.618
Number of units	2,383	8,810	19,507	22,467	25,070
Real estate asset value per unit	45	41	45	49	53
Mortgage payable per unit	40	35	33	39	40
Net rentable square feet (000)	1,871	7,590	16,500	18,810	20,762
Real estate asset value per square foot	57	48	54	58	64
Mortgage payable per square foot	51	41	39	46	49
Average net rentable SF per unit	785	862	846	837	828
Mortgage weighted average interest rate	7.98%	6.92%	6.45%	6.33%	6.29%

* *Amounts reported have not been adjusted to reflect the change in accounting for future income taxes.*

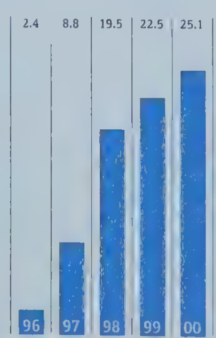
Total Assets
$ millions



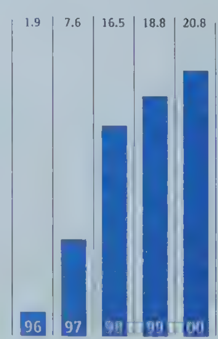
Shareholders' Equity
$ millions



Number of Units
Thousands



Net Rentable Square Feet
Millions



Fast Facts:

Quarterly Financial Summary

(000's except per share)	Q1	Q2	Q3	Q4	2000
Total revenues					
Revenue producing properties					
Rental income	40,458	44,651	46,230	46,808	178,147
Rental guarantee income	-	-	-	-	-
	40,458	44,651	46,230	46,808	178,147
Operating expenses					
Revenue producing properties	8,892	10,039	11,612	12,068	42,611
Property taxes	4,319	4,787	4,378	4,947	18,431
Financing costs	13,434	14,240	15,183	15,355	58,212
Amortization	9,298	10,570	2,752	15,557	38,177
	35,943	39,636	33,925	47,927	157,431
Earnings before corporate charges	4,515	5,015	12,305	(1,119)	20,716
Cash flow before corporate charges	13,813	15,585	15,057	14,438	58,893
Sales of properties held for development and resale					
Revenue	10,908	7,872	1,898	19,146	39,824
Cost of sales	1,798	5,392	1,718	15,109	24,017
Income before corporate charges	9,110	2,480	180	4,037	15,807
Corporate charges					
Administration	3,144	5,144	4,586	4,017	16,891
Large Corporations Tax	657	616	614	994	2,881
Future income taxes	4,647	767	3,482	(2,590)	6,306
	8,448	6,527	8,682	2,421	26,078
Net earnings	5,177	968	3,803	497	10,445
Earnings per share - fully diluted	0.11	0.02	0.08	0.01	0.21
Cash flow from operations	19,122	12,305	10,037	13,464	54,928
Cash flow per share - fully diluted	0.40	0.25	0.20	0.27	1.12

Market Information:

Annual Meeting

The Annual General Meeting of the Shareholders of Boardwalk Equities Inc. will be held in the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time) on Wednesday, November 1, 2000. Shareholders are encouraged to attend and those unable to do so, are requested to complete the Form of Proxy and forward it at their earliest convenience.

Stock Exchanges

The Toronto Stock Exchange

Stock Exchange Listings

Common shares of Boardwalk Equities Inc. are listed on The Toronto Stock Exchange under the trading symbol BEI.

Trading Profile

TSE: June 1, 1999
to May 31, 2000
High: $16.40
Low: $8.00
Volume Traded: 22.2 million

Registrar & Transfer Agent

Our Transfer Agent can help you with a variety of shareholder related services, including:

- Change of address
- Lost share certificates
- Transfer of stock

You can write them at:

Computershare Investor Services Inc. formerly **The Montreal Trust Company of Canada**
600, 530 – 8th Avenue SW
Calgary, Alberta T2P 3S8
You can call them at:
1-403-267-6800

Shareholders of record who receive more than one copy of this annual report can contact our Transfer Agent and arrange to have their accounts consolidated.

Shareholders who own Boardwalk shares through a brokerage firm can contact their broker to request consolidation of their accounts.

Online Information

Anyone with access to the internet can view this annual report electronically at *www.bwalk.com*.

Quarterly Updates

If you would like to receive quarterly reports but are not a registered shareholder, please write or call us with your name and address. To receive our news releases by fax, please forward your fax number to us. To receive our news releases by e-mail, go to the Investor Relations section of our website *www.bwalk.com*.

Published Information

If you wish to receive copies of the 2000 Renewal Annual Information Form, or additional copies of this annual report, please contact:

Corporate Secretary
Boardwalk Equities Inc.
First West Professional Building
Suite 200, 1501 – 1st Street SW
Calgary, Alberta T2R 0W1
Telephone: (403) 531-9255
Facsimile: (403) 531-9565
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